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1990 MANAGEMENT REPORT

HARDWARE STORES

DETAILED
COST-OF-DOING
BUSINESS
DATA

NRHA
National
Retail Hardware
Association

Price:

$25.00 Member
$75.00 Non-Member

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National
Retail Hardware
Association

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Printed in the United States of America

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ISSN 1051-2764

Introduction

The **National Retail Hardware Association** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

THE MANAGEMENT REPORT
The 1990 Management Report outlines financial operating data for contributing retail hardware operations. This report is designed to:

- Assess financial performances of retail hardware stores in 1989
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards
- Provide a benchmark for profit planning enabling hardware retailers to improve performance levels on a continuing basis

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections
The Management Report is divided into four major sections: Historical Trends for 1985 through 1989; The Strategic Profit Model; Average Operating Results for 1989; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet data for 1989 and the four previous Management Reports, 1985-1988. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail hardware stores. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average store. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any hardware store. Therefore, report data are presented by various store characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Age of Operation

Methodology
The Management Report is made possible only through the cooperation of the retail hardware operators who provide NRHA with detailed financial information on their individual stores.

Questionnaires were mailed in February 1990 and eight hundred forty-six useable returns were received by May 1990 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing hardware store operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1990 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association, 5822 West 74th Street, Indianapolis, Indiana 46278 or phone (317) 290-0338.

Historical Trends

Income Statement Data	ALL HARDWARE STORES FISCAL YEAR 1989	1988	1987	1986	1985
Net Sales Volume	$875,833	$799,386	$776,627	$682,263	$645,939
Gross Sales	101.44%	101.66%	101.61%	101.96%	102.13%
Less: Total Deductions	1.44	1.66	1.61	1.96	2.13
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.63	64.63	65.22	65.08	65.69
Margin Before Purchase Rebate or Patronage Dividend	35.37	35.37	34.78	34.92	34.31
Purchase Rebate or Patronage Dividend	1.25	1.22	1.11	1.14	1.05
Margin After Purchase Rebate or Patronage Dividend	36.62	36.60	35.89	36.06	35.36
Payroll and Other Employee Expense					
Salaries – Owners/Officers/Managers	4.29	4.34	4.38	4.42	4.43
Salaries/Wages – Other Employees	12.85	12.46	11.88	12.44	11.69
Federal and State Payroll Taxes	1.45	1.45	1.39	1.41	1.58
Group Insurance	.87	.71	.64	.64	.66
Benefit Plans	.39	.40	.55	.46	.39
Total Payroll and Other Employee Expense	19.84	19.36	18.84	19.37	18.75
Occupancy Expense					
Heat, Light, Power, Water	1.05	1.01	1.06	1.15	1.13
Building Repairs and Maintenance	.37	.30	.25	.30	.16
Rent or Ownership in Real Estate*	4.12	4.01	3.89	3.80	3.85
Total Occupancy Expense	5.53	5.32	5.19	5.25	5.14
Other Costs of Doing Business					
Advertising and Promotion	2.39	2.59	2.53	2.50	2.53
Insurance (Other than Real Estate and Group)	.75	.79	.83	.89	.72
Taxes (Other than Real Estate and Payroll)	.43	.49	.56	.57	.43
Interest (Other than Real Estate)	1.45	1.18	1.38	1.32	1.40
Depreciation (Other than Real Estate)	.90	.89	1.00	.99	.98
All Other Expenses	3.63	3.80	3.84	3.76	3.88
Total Other Costs of Doing Business	9.55	9.74	10.14	10.04	9.94
Total Operating Expenses	34.92	34.42	34.17	34.65	33.83
Operating Profit or Loss	1.70	2.18	1.72	1.41	1.53
Other Income	1.54	1.58	1.53	1.68	1.55
Net Operating Profit or Loss (Before Income Taxes)	3.24	3.76	3.25	3.09	3.08
Financial Performance					
Profit on Investment	12.70%	13.80%	13.42%	11.76%	12.10%
Active Owner's Return	29.50%	29.70%	31.51%	28.58%	29.50%
Current Asset Ratio	3.34x	3.47x	3.04x	3.39x	3.44x
Quick Asset Ratio	.91x	.98x	.83x	.91x	1.00x
Total Debt to Tangible Net Worth	97.34%	88.35%	102.97%	90.91%	93.19%
Stock Turn Times	2.55x	2.48x	2.61x	2.45x	2.49x
Sales to Inventory Ratio	3.95x	3.84x	4.00x	3.77x	3.79x
Average Inventory per Square Foot Sales Area	$28.87	$30.17	$28.09	$28.00	$29.82
Net Sales to Accounts Receivable	20.48x	20.21x	21.30x	21.09x	20.65x
Net Sales to Total Assets	1.99x	1.95x	2.03x	1.99x	2.03x
Net Sales to Net Worth	3.92x	3.67x	4.13x	3.81x	3.92x
Net Sales to Net Working Capital	4.06x	3.82x	2.93x	2.80x	3.76x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	31.84%	30.67%	30.23%	31.27%	28.02%
Consumer Sales -- % of Total Gross Sales	68.16%	69.33%	74.62%	74.39%	76.73%
Selling Area – Square Feet	7,393	6,838	5,977	5,827	6,177
Sales Per Square Foot – Selling Area	$113.84	$117.58	$113.63	$105.34	$106.76
Total Area – Square Feet	11,319	10,258	8,802	9,059	9,009
Sales Per Square Foot – Total Area	$75.88	$77.81	$77.53	$67.11	$73.58
Sales Per Person Employed	$89,624	$85,073	$80,682	$75,418	$69,108
Sales Per Customer	$11.09	$11.71	$11.18	$9.64	$9.83

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1989	1988	1987	1986	1985	1989	1988	1987	1986	1985
Hardware	15.7%	15.3%	14.5%	14.9%	16.5%	$114.56	$114.58	$112.89	$108.36	$99.85
Hand Tools	5.9	6.0	5.4	6.1	7.0	126.03	140.44	110.72	129.07	100.26
Power Tools & Accessories	3.9	4.5	3.9	4.7	4.5	142.49	155.30	143.52	132.05	114.49
Plumbing, Heating & Cooling	12.5	13.2	11.9	12.9	13.5	123.59	134.27	120.02	121.70	111.53
Electrical Supplies	9.8	9.9	8.9	9.5	10.4	129.33	145.40	127.69	134.72	118.68
Paint & Home Decorating	12.9	12.7	11.5	12.5	11.0	128.39	139.69	114.33	132.89	114.19
Lumber	.8	.8	.5	.8	1.1	51.12	133.72	88.81	125.18	108.69
Building Materials	1.3	1.7	1.2	1.5	1.9	113.12	129.46	119.59	135.44	106.39
Lawn & Garden	12.8	12.1	13.4	13.4	11.0	122.40	115.92	118.95	114.89	115.59
Housewares	7.3	7.6	8.6	7.4	7.3	86.61	93.84	79.30	76.58	71.47
Automotive Supplies	2.7	2.8	2.8	2.5	2.8	93.48	118.80	104.83	84.24	102.15
Major Appliances & Home Entertainment	2.5	2.9	4.1	2.3	3.2	158.24	135.16	135.49	143.55	123.34
Sporting Goods & Outdoor Living	3.3	3.1	3.5	3.3	3.2	107.11	119.61	94.99	78.75	89.07
Miscellaneous Goods	8.6	7.6	9.9	8.2	6.6	113.07	121.60	124.29	107.42	109.58

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1989	1988	1987	1986	1985	1989	1988	1987	1986	1985
Hardware	3.8x	3.7x	3.7x	3.6x	3.2x	$1.74	$1.66	$1.63	$1.66	$1.41
Hand Tools	3.8	3.8	3.6	3.8	3.5	1.45	1.45	1.32	1.47	1.36
Power Tools & Accessories	3.5	3.7	3.3	3.4	3.8	1.02	1.16	.96	.93	1.14
Plumbing, Heating & Cooling	4.2	4.5	4.4	4.4	4.6	1.91	1.95	1.89	1.98	1.98
Electrical Supplies	4.4	4.3	4.3	4.6	4.5	1.89	1.83	1.80	1.97	1.86
Paint & Home Decorating	4.5	4.2	4.4	4.5	4.6	1.80	1.64	1.77	1.80	1.79
Lumber	3.7	3.3	3.8	5.3	3.5	1.16	1.17	.99	.78	.99
Building Materials	4.2	4.9	4.6	5.7	4.0	1.38	1.72	1.47	1.41	1.38
Lawn & Garden	4.4	4.0	4.4	4.7	4.6	1.54	1.37	1.48	1.66	1.66
Housewares	3.6	3.7	3.1	3.5	3.6	1.25	1.29	1.05	1.23	1.25
Automotive Supplies	4.3	4.1	4.0	3.1	3.9	1.57	1.41	1.42	1.09	1.39
Major Appliances & Home Entertainment	3.6	3.7	3.6	4.1	4.1	1.00	.95	.75	.72	1.03
Sporting Goods & Outdoor Living	3.9	3.9	3.1	3.2	3.6	1.34	1.36	1.04	1.00	1.15
Miscellaneous Goods	4.4	3.7	4.0	3.1	4.0	1.64	1.41	1.38	1.06	1.41

* Average Hardware Store

Monthly Sales

Month	1989	1988	1987	1986	1985
January	6.1%	6.4%	6.5%	6.3%	6.5%
February	5.7	5.9	5.9	5.7	5.8
March	7.1	7.4	7.3	7.4	7.1
April	8.9	9.0	9.0	8.9	8.9
May	9.8	9.6	9.7	9.9	9.8
June	9.5	9.4	9.3	9.2	9.3
July	8.7	8.4	8.8	8.9	8.9
August	8.5	8.4	8.4	8.6	8.7
September	8.2	8.1	8.0	8.0	8.0
October	8.4	8.5	8.6	8.5	8.5
November	8.6	8.5	8.1	8.6	8.6
December	10.5	10.8	10.4	10.0	9.9

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

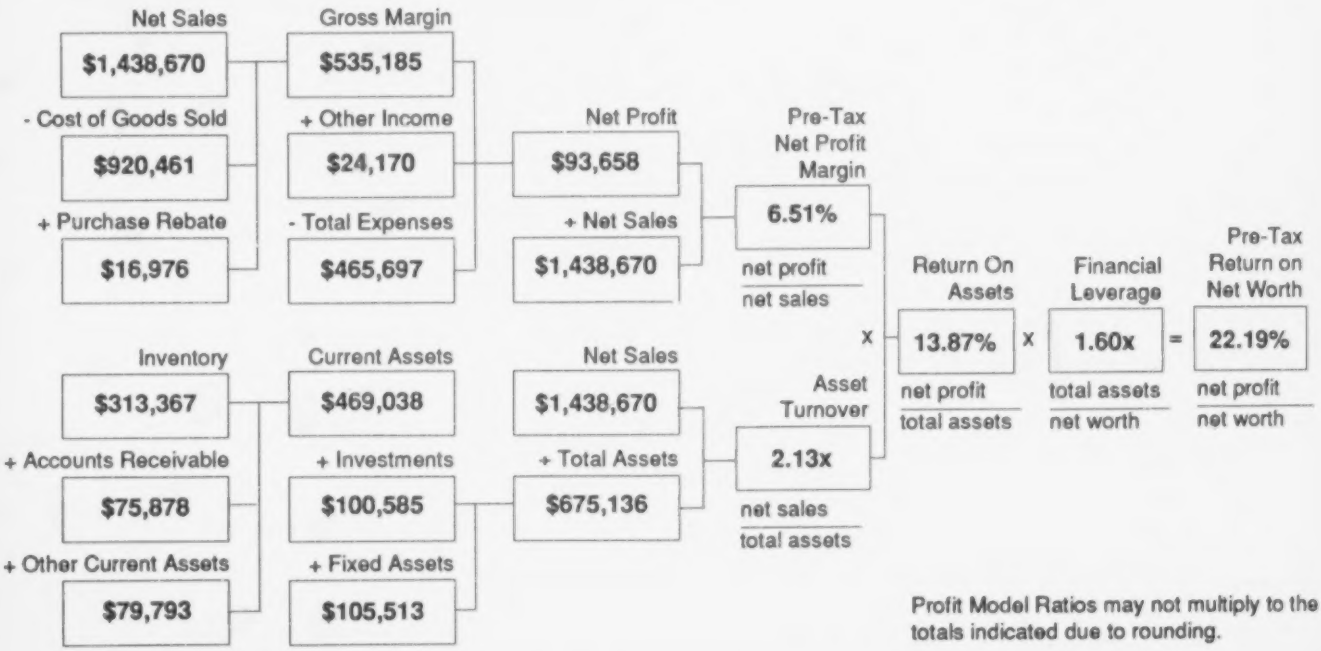
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Stores



Profit Model Ratios may not multiply to the totals indicated due to rounding.

1989 Highlights

Type Of Hardware Store	1989 Net Sales ($)	Sales Increase Over 1988* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	875,833	+3.36	36.62	3.24	12.70	2.55
Low Profit	689,788	+2.25	35.12	-3.31	-16.82	2.19
High Profit	1,438,670	+2.88	37.19	6.50	22.20	2.95
Sales Volume Size						
Under $250,000	162,605	+0.30	37.03	3.37	6.97	1.49
$250,000 to $499,999	376,868	+2.65	38.28	3.92	14.22	1.86
$500,000 to $749,999	623,024	+5.07	37.70	3.27	13.04	2.24
$750,000 to $999,999	870,407	+4.24	36.97	2.68	10.81	2.50
$1,000,000 to $1,999,999	1,367,045	+4.36	37.02	3.23	13.02	2.76
$2,000,000 or more	3,020,388	+1.47	34.61	3.19	13.04	3.21
Sales Floor Size						
Under 3,000 Sq. Ft.	292,375	+5.03	38.14	5.31	15.34	2.18
3,000 to 4,999 Sq. Ft.	460,315	+3.40	38.52	3.73	14.05	2.27
5,000 to 9,999 Sq. Ft.	757,568	+4.40	37.97	3.51	14.14	2.48
10,000 Sq. Ft. or more	1,640,437	+3.09	36.08	2.63	11.12	2.69
Type of Ownership						
Proprietorship	419,111	+5.11	36.43	4.64	16.19	2.26
Partnership	654,378	+4.32	37.59	6.37	22.72	2.18
Corporation	986,516	+3.27	36.71	3.13	12.26	2.61
Trade Area Size						
M.S.A. - Central City	975,130	+0.63	39.51	3.58	13.77	2.73
M.S.A. - Suburban	1,310,944	+3.89	37.23	4.24	14.39	2.61
Cities 10,000 to 50,000	975,877	+3.86	37.33	3.02	13.86	2.59
Towns Under 10,000	739,432	+3.98	35.31	3.17	11.79	2.52
Store Location: Part I						
Downtown	756,755	+1.87	36.42	3.47	11.78	2.46
Suburban	988,234	+2.89	37.34	3.25	13.32	2.64
Rural	825,160	+7.36	35.21	3.03	14.02	2.70
Store Location: Part II						
Shopping Centers - Neighborhood	804,512	+3.78	38.12	3.01	13.32	2.39
Shopping Centers - Community or Regional	970,485	+3.22	37.48	2.50	11.21	2.83
Free-Standing - No Stores Adjacent	1,051,317	+3.67	35.52	3.94	15.29	2.75
Free-Standing - Stores Nearby	845,412	+2.94	36.72	3.53	13.06	2.59
Number of Stores						
Single Store Business	847,204	+4.28	36.46	3.21	12.95	2.56
Multiple Store Business	1,067,382	-0.84	37.48	3.41	11.61	2.49
Age of Operation						
Less Than 3 Years Old	524,409	+4.03	36.02	-1.18	-9.80	1.95
More Than 3 Years Old	902,752	+3.20	37.03	3.40	13.74	2.65

* As reported by Management Report Contributors.

1989 Monthly Sales

	%		%		%
January	6.1	May	9.8	September	8.2
February	5.7	June	9.5	October	8.4
March	7.1	July	8.7	November	8.6
April	8.9	August	8.5	December	10.5

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	846	215	218
Net Sales Volume	$875,833	$689,788	$1,438,670
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+3.36%	+2.25%	+2.88%
Gross Sales	101.44%	102.00%	101.20%
Less: Total Deductions	1.44	2.00	1.20
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.63	66.09	63.98
Margin Before Purchase Rebate or Patronage Dividend	35.37	33.91	36.02
Purchase Rebate or Patronage Dividend	1.25	1.22	1.18
Margin After Purchase Rebate or Patronage Dividend	36.62	35.12	37.19
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	4.29	4.91	4.14
Salaries/Wages -- Other Employees	12.85	13.14	12.93
Federal and State Payroll Taxes	1.45	1.68	1.38
Group Insurance	.87	1.01	.83
Benefit Plans	.39	.36	.55
Total Payroll and Other Employee Expense	19.84	21.10	19.83
Occupancy Expense			
Heat, Light, Power, Water	1.05	1.25	.86
Building Repairs and Maintenance	.37	.42	.35
Rent or Ownership in Real Estate**	4.12	5.32	3.40
Total Occupancy Expense	5.53	7.00	4.60
Other Costs of Doing Business			
Office Supplies and Postage	.44	.54	.40
Advertising and Promotion	2.39	2.91	2.04
Donations	.07	.06	.08
Telephone and Telegraph	.32	.37	.28
Bad Debts	.13	.15	.12
Credit Card Expense (Bank Charges)	.21	.21	.19
Delivery (Other than Wages)	.33	.38	.26
Leasing Expenses (Non-Occupancy)	.14	.10	.07
Insurance (Other than Real Estate and Group)	.75	.81	.63
Taxes (Other than Real Estate and Payroll)	.43	.33	.47
Interest (Other than Real Estate)	1.45	2.31	.94
Depreciation (Other than Real Estate)	.90	1.28	.74
Store and Shop Supplies	.48	.57	.38
Legal and Accounting	.40	.49	.37
Computer Services and Expenses (Other than Wages)	.19	.24	.16
Dues and Subscriptions	.08	.09	.07
Travel and Entertainment	.23	.26	.22
Miscellaneous Services (Laundry, Disposal, Etc.)	.13	.17	.12
Unclassified Expenses	.46	.68	.38
Total Other Costs of Doing Business	9.55	11.96	7.93
Total Operating Expenses	34.92	40.06	32.37
Operating Profit or Loss	1.70	-4.94	4.83
Other Income	1.54	1.63	1.68
Net Operating Profit or Loss (Before Income Taxes)	3.24	-3.31	6.50

* As reported to NRHA by Management Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$441,158	$412,555	$675,070
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.55	4.49	9.03
Notes and Installment Contracts Receivable	1.08	1.21	1.00
Accounts Receivable	9.70	8.55	11.24
Merchandise Inventory (End of Year)	50.71	51.11	46.42
Other Current Assets	1.85	2.58	1.79
Total Current Assets	69.88	67.94	69.47
Stocks and Bonds	5.83	4.93	6.69
Real Estate (Not Used in Business)	1.14	2.66	.64
Other Investments	7.68	5.98	7.57
Total Investments	14.65	13.56	14.90
Land (Owned and Used in Business)	1.77	2.06	1.48
Building (Owned & Used in Bus. Less Deprec.)	5.93	7.17	6.39
Leasehold Improvements (Less Amortization Allowance)	1.09	1.52	.84
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	4.47	5.91	4.06
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.04	1.19	.96
Other Fixed Assets	1.17	.66	1.89
Total Fixed Assets	15.47	18.50	15.63
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	10.60	11.75	9.82
Current Portion of Notes Payable	6.19	8.75	3.80
Accrued Payroll Taxes	.43	.31	.40
Accrued Other Taxes	1.12	1.13	1.13
Other Accrued Expenses	1.63	1.47	2.21
Other Current Liabilities	.99	1.33	1.01
Total Current Liabilities	20.95	24.74	18.36
Notes Due Partners/Officers	6.57	10.85	3.93
Mortgage Payable	3.27	3.92	2.70
Long Term Debt	16.19	22.90	11.43
Other Long Term Liabilities	2.34	4.69	1.17
Total Long Term Liabilities	28.37	42.36	19.23
Total Liabilities	49.33	67.10	37.59
Net Worth	50.67	32.90	62.41
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	12.70%	-16.82%	22.20%
Active Owner's Return	29.50%	8.13%	36.34%
Current Asset Ratio	3.34x	2.75x	3.78x
Quick Asset Ratio	.91x	.68x	1.26x
Total Debt to Tangible Net Worth	97.34%	203.93%	60.23%
Stock Turn Times	2.55x	2.19x	2.95
Sales to Inventory Ratio	3.95x	3.31x	4.61x
Average Inventory per Square Foot Sales Area	$28.87	$30.02	$30.20
Net Sales to Accounts Receivable	20.48x	19.57x	18.97x
Net Sales to Total Assets	1.99x	1.67x	2.13x
Net Sales to Net Worth	3.92x	5.08x	3.41x
Net Sales to Net Working Capital	4.06x	3.87x	4.17x

Other Operating Data

Credit Sales -- % of Total Gross Sales	31.84%	32.86%	35.81%
Consumer Sales -- % of Total Gross Sales	68.16%	67.14%	64.19%
Selling Area -- Square Feet	7,393	6,937	9,914
Sales Per Square Foot -- Selling Area	$113.84	$99.72	$138.07
Total Area -- Square Feet	11,319	10,218	15,914
Sales Per Square Foot -- Total Area	$75.88	$67.30	$89.19
Sales Per Person Employed	$89,624	$81,870	$101,551
Sales Per Customer	$11.09	$9.88	$11.70

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999
Number of Stores	83	234	188
Net Sales Volume	$162,605	$376,868	$623,024
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+0.30%	+2.65%	+5.07%
Gross Sales	101.12%	101.32%	101.18%
Less: Total Deductions	1.12	1.32	1.18
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.23	63.02	63.77
Margin Before Purchase Rebate or Patronage Dividend	35.77	36.98	36.23
Purchase Rebate or Patronage Dividend	1.26	1.29	1.47
Margin After Purchase Rebate or Patronage Dividend	37.03	38.28	37.70
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	4.28	5.73	4.49
Salaries/Wages – Other Employees	9.18	10.40	12.22
Federal and State Payroll Taxes	1.27	1.35	1.44
Group Insurance	.88	.79	.74
Benefit Plans	.05	.23	.21
Total Payroll and Other Employee Expense	15.67	18.50	19.10
Occupancy Expense			
Heat, Light, Power, Water	1.99	1.36	1.19
Building Repairs and Maintenance	.33	.34	.45
Rent or Ownership in Real Estate**	4.95	4.70	4.69
Total Occupancy Expense	7.27	6.41	6.33
Other Costs of Doing Business			
Office Supplies and Postage	.74	.54	.47
Advertising and Promotion	2.68	2.60	2.43
Donations	.14	.07	.06
Telephone and Telegraph	.51	.44	.37
Bad Debts	.17	.16	.12
Credit Card Expense (Bank Charges)	.13	.18	.19
Delivery Expenses (Other than Wages)	.68	.38	.37
Leasing Expenses (Non-Occupancy)	.10	.14	.12
Insurance (Other than Real Estate and Group)	1.18	.92	.91
Taxes (Other than Real Estate and Payroll)	.43	.44	.47
Interest (Other than Real Estate)	2.02	1.99	1.75
Depreciation (Other than Real Estate)	1.13	1.10	1.03
Store and Shop Supplies	.59	.52	.50
Legal and Accounting	.82	.56	.45
Computer Services and Expenses (Other than Wages)	.12	.11	.17
Dues and Subscriptions	.15	.12	.09
Travel and Entertainment	.28	.24	.24
Miscellaneous Services (Laundry, Disposal, Etc.)	.16	.12	.13
Unclassified Expenses	.65	.54	.50
Total Other Costs of Doing Business	12.70	11.15	10.38
Total Operating Expenses	35.64	36.06	35.81
Operating Profit or Loss	1.40	2.22	1.89
Other Income	1.97	1.70	1.38
Net Operating Profit or Loss (Before Income Taxes)	3.37	3.92	3.27

* As reported to NRHA by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	$750,000 To $999,999	$1,000,000 To $1,999,999	$2,000,000 Or More
Number of Stores	107	168	66
Net Sales Volume	$870,407	$1,367,045	$3,020,388
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+4.24%	+4.36%	+1.47%
Gross Sales	102.35%	101.42%	101.26%
Less: Total Deductions	2.35	1.42	1.26
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.32	64.37	66.30
Margin Before Purchase Rebate or Patronage Dividend	35.68	35.63	33.07
Purchase Rebate or Patronage Dividend	1.29	1.39	.92
Margin After Purchase Rebate or Patronage Dividend	36.97	37.02	34.61
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	4.24	4.09	3.77
Salaries/Wages – Other Employees	12.52	13.65	13.77
Federal and State Payroll Taxes	1.47	1.48	1.46
Group Insurance	.92	.88	.96
Benefit Plans	.31	.49	.50
Total Payroll and Other Employee Expense	19.46	20.59	20.46
Occupancy Expense			
Heat, Light, Power, Water	1.18	.98	.77
Building Repairs and Maintenance	.41	.38	.32
Rent or Ownership in Real Estate**	4.28	4.15	3.35
Total Occupancy Expense	5.86	5.51	4.44
Other Costs of Doing Business			
Office Supplies and Postage	.47	.43	.36
Advertising and Promotion	2.43	2.47	2.16
Donations	.06	.07	.06
Telephone and Telegraph	.33	.28	.27
Bad Debts	.12	.13	.13
Credit Card Expense (Bank Charges)	.19	.23	.22
Delivery Expenses (Other than Wages)	.41	.29	.26
Leasing Expenses (Non-Occupancy)	.16	.17	.11
Insurance (Other than Real Estate and Group)	.80	.77	.52
Taxes (Other than Real Estate and Payroll)	.39	.37	.50
Interest (Other than Real Estate)	1.77	1.35	.96
Depreciation (Other than Real Estate)	.86	.82	.85
Store and Shop Supplies	.56	.46	.45
Legal and Accounting	.38	.34	.36
Computer Services and Expenses (Other than Wages)	.23	.20	.19
Dues and Subscriptions	.07	.08	.07
Trave and Entertainment	.29	.21	.22
Miscellaneous Services (Laundry, Disposal, Etc.)	.14	.12	.12
Unclassified Expenses	.50	.53	.31
Total Other Costs of Doing Business	10.17	9.30	8.12
Total Operating Expenses	35.49	35.40	33.02
Operating Profit or Loss	1.48	1.62	1.59
Other Income	1.20	1.61	1.60
Net Operating Profit or Loss (Before Income Taxes)	2.68	3.23	3.19

* As reported to NRHA by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Under $250,000	$250,000 To $499,999	$500,000 To $749,999
Total Dollar Assets	$148,743	$221,560	$334,786
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.13	6.44	7.41
Notes and Installment Contracts Receivable	.35	1.36	.79
Accounts Receivable	5.59	7.30	8.72
Merchandise Inventory (End of Year)	48.50	58.17	53.32
Other Current Assets	1.26	1.24	1.29
Total Current Assets	60.83	74.53	71.53
Stocks and Bonds	9.71	4.39	6.06
Real Estate (Not Used In Business)	4.45	.90	.83
Other Investments	7.07	6.41	7.28
Total Investments	21.22	11.69	14.16
Land (Owned and Used In Business)	4.08	1.16	1.95
Buildings (Owned and Used In Bus. Less Deprec.)	7.64	5.39	4.50
Leasehold Improvements (Less Amortization Allowance)	.31	1.00	.59
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	4.51	4.31	4.88
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.24	1.05	1.11
Other Fixed Assets	.17	.87	1.27
Total Fixed Assets	17.95	13.78	14.31
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	6.61	9.18	9.50
Current Portion of Notes Payable	5.37	6.87	4.64
Accrued Payroll Taxes	.40	.62	.58
Accrued Other Taxes	.83	.84	1.23
Other Accrued Expenses	.52	.75	1.04
Other Current Liabilities	.54	.85	.73
Total Current Liabilities	14.28	19.11	17.73
Notes Due Partners/Officers	6.69	10.94	8.84
Mortgage Payable	6.32	3.37	2.84
Long Term Debt	18.09	18.23	20.47
Other Long Term Liabilities	1.71	1.48	3.50
Total Long Term Liabilities	32.81	34.01	35.65
Total Liabilities	47.08	53.12	53.38
Net Worth	52.92	46.88	46.62
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	6.97%	14.22%	13.04%
Active Owner's Return	15.82%	35.02%	30.98%
Current Asset Ratio	4.26x	3.90x	4.03x
Quick Asset Ratio	.86x	.86x	1.03x
Total Debt to Tangible Net Worth	88.98%	113.32%	114.50%
Stock Turn Times	1.49x	1.86x	2.24x
Sales to Inventory Ratio	2.32x	2.96x	3.51x
Average Inventory per Square Foot Sales Area	$18.84	$26.80	$27.83
Net Sales to Accounts Receivable	19.56x	23.30x	21.35x
Net Sales to Total Assets	1.09x	1.70x	1.86x
Net Sales to Net Worth	2.07x	3.63x	3.99x
Net Sales to Net Working Capital	2.35x	3.07x	3.46x

Other Operating Data

Credit Sales -- % of Total Gross Sales	25.39%	28.68%	31.60%
Consumer Sales -- % of Total Gross Sales	74.61%	71.32%	68.40%
Selling Area -- Square Feet	3,710	4,757	6,395
Sales Per Square Foot -- Selling Area	$44.20	$79.06	$97.26
Total Area -- Square Feet	5,211	6,896	10,021
Sales Per Square Foot -- Total Area	$30.86	$54.55	$61.96
Sales Per Person Employed	$47,759	$70,987	$82,421
Sales Per Customer	$8.69	$8.83	$8.64

Figures may not add to totals indicated due to rounding.

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Sales Volume Size

Balance Sheet Data	$750,000 To $999,999	$1,000,000 To $1,999,999	$2,000,000 Or More
Total Dollar Assets	$470,687	$652,146	$1,305,535
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.92	6.39	7.33
Notes and Installment Contracts Receivable	1.79	.87	1.08
Accounts Receivable	9.01	9.31	13.32
Merchandise Inventory (End of Year)	48.90	49.63	47.05
Other Current Assets	3.29	2.00	1.67
Total Current Assets	67.91	68.20	70.45
Stocks and Bonds	4.92	5.34	7.11
Real Estate (Not Used In Business)	.46	2.28	.00
Other Investments	7.56	8.50	7.87
Total Investments	12.94	16.13	14.98
Land (Owned and Used In Business)	2.63	1.65	1.32
Buildings (Owned and Used In Bus. Less Deprec.)	9.55	5.35	5.68
Leasehold Improvements (Less Amortization Allowance)	1.02	1.39	1.29
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	4.48	4.49	4.22
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.17	.95	1.00
Other Fixed Assets	.29	1.85	1.06
Total Fixed Assets	19.15	15.67	14.56
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	9.24	11.04	13.04
Current Portion of Notes Payable	6.83	7.02	5.60
Accrued Payroll Taxes	.40	.37	.28
Accrued Other Taxes	.93	1.20	1.28
Other Accrued Expenses	1.35	1.48	3.11
Other Current Liabilities	1.14	1.12	1.06
Total Current Liabilities	19.88	22.23	24.37
Notes Due Partners/Officers	5.63	5.90	3.66
Mortgage Payable	4.08	1.83	4.45
Long Term Debt	18.41	17.03	9.19
Other Long Term Liabilities	6.18	.91	1.69
Total Long Term Liabilities	34.30	25.68	18.99
Total Liabilities	54.18	47.92	43.36
Net Worth	45.82	52.08	56.64
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	10.81%	13.02%	13.04%
Active Owner's Return	27.93%	29.49%	28.44%
Current Asset Ratio	3.42x	3.07x	2.89x
Quick Asset Ratio	.96x	.84x	.96x
Total Debt to Tangible Net Worth	118.25%	92.00%	76.55%
Stock Turn Times	2.50x	2.76x	3.21x
Sales to Inventory Ratio	3.89x	4.29x	4.85x
Average Inventory per Square Foot Sales Area	$27.82	$29.16	$36.12
Net Sales to Accounts Receivable	20.52x	22.51x	17.36x
Net Sales to Total Assets	1.85x	2.10x	2.31x
Net Sales to Net Worth	4.04x	4.02x	4.08x
Net Sales to Net Working Capital	3.85x	4.56x	5.02x

Other Operating Data

Credit Sales -- % of Total Gross Sales	29.24%	32.27%	36.93%
Consumer Sales -- % of Total Gross Sales	70.76%	67.73%	63.07%
Selling Area -- Square Feet	8,114	10,391	17,389
Sales Per Square Foot -- Selling Area	$107.21	$130.58	$173.57
Total Area -- Square Feet	12,159	15,335	28,575
Sales Per Square Foot -- Total Area	$71.36	$88.50	$107.75
Sales Per Person Employed	$94,567	$91,532	$109,246
Sales Per Customer	$9.57	$11.57	$16.68

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	57	193	320	165
Net Sales Volume	$292,375	$460,315	$757,568	$1,640,437
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+5.03%	+3.40%	1.40%	+3.09%
Gross Sales	101.30%	101.43%	101.79%	101.21%
Less: Total Deductions	1.30	1.43	1.79	1.21
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	62.51	62.61	63.45	65.15
Margin Before Purchase Rebate or Patronage Dividend	37.49	37.39	36.55	34.85
Purchase Rebate or Patronage Dividend	.65	1.13	1.42	1.22
Margin After Purchase Rebate or Patronage Dividend	38.14	38.52	37.97	36.08
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	5.02	5.67	4.81	3.73
Salaries/Wages -- Other Employees	10.63	11.67	12.54	13.70
Federal and State Payroll Taxes	1.29	1.54	1.46	1.46
Group Insurance	.90	.86	.86	.82
Benefit Plans	.28	.35	.33	.48
Total Payroll and Other Employee Expense	18.11	20.09	20.00	20.18
Occupancy Expense				
Heat, Light, Power, Water	1.15	1.08	1.10	1.02
Building Repairs and Maintenance	.45	.48	.37	.38
Rent or Ownership in Real Estate**	3.90	4.60	4.58	3.95
Total Occupancy Expense	5.50	6.16	6.05	5.36
Other Costs of Doing Business				
Office Supplies and Postage	.57	.52	.47	.40
Advertising and Promotion	1.90	2.37	2.39	2.61
Donations	.06	.07	.07	.07
Telephone and Telegraph	.44	.36	.35	.27
Bad Debts	.17	.12	.12	.13
Credit Card Expense (Bank Charges)	.15	.23	.22	.22
Delivery Expenses (Other than Wages)	.58	.40	.31	.23
Leasing Expenses (Non-Occupancy)	.08	.11	.15	.15
Insurance (Other than Real Estate and Group)	1.19	.89	.77	.70
Taxes (Other than Real Estate and Payroll)	.52	.41	.47	.50
Interest (Other than Real Estate)	1.31	1.56	1.49	1.46
Depreciation (Other than Real Estate)	1.29	.96	.99	.82
Store and Shop Supplies	.49	.46	.49	.51
Legal and Accounting	.55	.46	.44	.37
Computer Services and Expenses (Other than Wages)	.08	.17	.25	.17
Dues and Subscriptions	.13	.10	.08	.08
Travel and Entertainment	.21	.24	.25	.23
Miscellaneous Services (Laundry, Disposal, Etc.)	.09	.12	.11	.12
Unclassified Expenses	.50	.58	.55	.39
Total Other Costs of Doing Business	10.32	10.15	9.98	9.40
Total Operating Expenses	33.93	36.41	36.03	34.94
Operating Profit or Loss	4.21	2.11	1.94	1.14
Other Income	1.10	1.62	1.57	1.49
Net Operating Profit or Loss (Before Income Taxes)	5.31	3.73	3.51	2.63

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** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$179,311	$236,554	$381,491	$792,576
Assets		% of Total Assets		
Cash On Hand and In Bank	7.55	8.52	5.74	6.33
Notes and Installment Contracts Receivable	.34	1.28	1.55	.85
Accounts Receivable	8.75	9.29	8.91	9.01
Merchandise Inventory (End of Year)	48.26	53.87	51.55	50.50
Other Current Assets	.60	1.92	1.67	1.76
Total Current Assets	65.50	74.87	69.43	68.45
Stocks and Bonds	10.33	4.96	6.00	4.54
Real Estate (Not Used In Business)	4.54	.99	2.21	.42
Other Investments	4.08	5.67	8.40	9.00
Total Investments	18.95	11.62	16.62	13.96
Land (Owned and Used In Business)	2.49	1.40	1.59	1.91
Buildings (Owned & Used In Bus. Less Deprec.)	5.81	4.29	4.19	7.41
Leasehold Improvements (Less Amortization Allowance)	.90	1.08	1.20	1.34
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	3.91	4.32	4.50	5.02
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.67	1.01	1.21	.79
Other Fixed Assets	.76	1.41	1.26	1.12
Total Fixed Assets	15.55	13.51	13.95	17.59
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	7.59	10.42	9.95	11.83
Current Portion of Notes Payable	6.42	6.65	6.02	6.62
Accrued Payroll Taxes	.45	.64	.50	.28
Accrued Other Taxes	.59	.90	1.09	1.32
Other Accrued Expenses	1.46	1.02	1.09	2.09
Other Current Liabilities	.48	.85	1.18	.93
Total Current Liabilities	17.00	20.49	19.84	23.05
Notes Due Partners/Officers	10.15	7.32	7.57	5.75
Mortgage Payable	2.15	3.71	2.30	3.14
Long Term Debt	14.23	15.63	19.52	14.70
Other Long Term Liabilities	.01	1.16	1.49	4.46
Total Long Term Liabilities	26.54	27.81	30.88	28.05
Total Liabilities	43.54	48.31	50.71	51.11
Net Worth	56.46	51.69	49.29	48.89
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	15.34%	14.05%	14.14%	11.12%
Active Owner's Return	29.83%	35.41%	33.51%	26.89%
Current Asset Ratio	3.85x	3.65x	3.50x	2.97x
Quick Asset Ratio	1.01x	1.02x	.90x	.78x
Total Debt to Tangible Net Worth	77.11%	93.45%	102.89%	104.53%
Stock Turn Times	2.18x	2.27x	2.48x	2.69x
Sales to Inventory Ratio	3.48x	3.62x	3.90x	4.14x
Average Inventory per Square Foot Sales Area	$36.40	$32.68	$28.49	$27.60
Net Sales to Accounts Receivable	18.63x	20.96x	22.28x	22.98x
Net Sales to Total Assets	1.63x	1.95x	1.99x	2.07x
Net Sales to Net Worth	2.89x	3.76x	4.03x	4.23x
Net Sales to Net Working Capital	3.36x	3.58x	4.00x	4.56x

Other Operating Data

Credit Sales -- % of Total Gross Sales	26.63%	30.88%	28.14%	32.46%
Consumer Sales -- % of Total Gross Sales	73.37%	69.12%	71.86%	67.54%
Selling Area -- Square Feet	2,308	3,888	6,815	14,370
Sales Per Square Foot -- Selling Area	$126.70	$118.40	$111.16	$114.16
Total Area -- Square Feet	4,003	6,231	10,160	21,666
Sales Per Square Foot -- Total Area	$73.43	$73.03	$74.58	$75.71
Sales Per Person Employed	$73,745	$82,586	$86,370	$94,326
Sales Per Customer	$12.54	$9.04	$9.46	$12.98

Figures may not add to totals indicated due to rounding.

Type of Ownership

Income Statement Data	Sole Proprietorship	Partnership	Corporation
Number of Stores	130	32	627
Net Sales Volume	$419,111	$654,378	$986,516
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+5.11%	+4.32%	+3.27%
Gross Sales	101.33%	101.68%	101.48%
Less: Total Deductions	1.33	1.68	1.48
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.78	63.66	64.50
Margin Before Purchase Rebate or Patronage Dividend	35.22	36.34	35.50
Purchase Rebate or Patronage Dividend	1.21	1.24	1.20
Margin After Purchase Rebate or Patronage Dividend	36.43	37.59	36.71
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.19	2.75	4.63
Salaries/Wages -- Other Employees	11.72	12.34	12.93
Federal and State Payroll Taxes	1.21	1.10	1.48
Group Insurance	.65	.68	.88
Benefit Plans	.14	.10	.42
Total Payroll and Other Employee Expense	15.91	16.97	20.34
Occupancy Expense			
Heat, Light, Power, Water	1.31	1.18	1.00
Building Repairs and Maintenance	.39	.38	.37
Rent or Ownership in Real Estate**	4.32	3.57	4.06
Total Occupancy Expense	6.02	5.13	5.44
Other Costs of Doing Business			
Advertising and Promotion	2.58	2.75	2.34
Insurance (Other than Real Estate and Group)	.80	.67	.76
Taxes (Other than Real Estate and Payroll)	.47	.33	.46
Interest (Other than Real Estate)	2.30	1.96	1.34
Depreciation (Other than Real Estate)	1.13	.64	.89
All Other Expenses	3.97	3.87	3.58
Total Other Costs of Doing Business	11.26	10.22	9.37
Total Operating Expenses	33.20	32.33	35.15
Operating Profit or Loss	3.23	5.26	1.56
Other Income	1.41	1.11	1.57
Net Operating Profit or Loss (Before Income Taxes)	4.64	6.37	3.13
Financial Performance			
Profit on Investment	16.19%	22.72%	12.26%
Active Owner's Return	23.82%	32.53%	30.37%
Current Asset Ratio	3.99x	4.54x	3.25x
Quick Asset Ratio	.84x	.97x	.93x
Total Debt to Tangible Net Worth	107.79%	91.67%	93.02%
Stock Turn Times	2.26x	2.18x	2.61x
Sales to Inventory Ratio	3.49x	3.42x	4.05x
Average Inventory per Square Foot Sales Area	$25.27	$29.46	$29.49
Net Sales to Accounts Receivable	22.83x	22.69x	20.39x
Net Sales to Total Assets	1.68x	1.86x	2.03x
Net Sales to Net Worth	3.49x	3.56x	3.92x
Net Sales to Net Working Capital	3.59x	3.39x	4.15x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	27.39%	34.27%	31.68%
Consumer Sales -- % of Total Gross Sales	72.61%	65.73%	68.32%
Selling Area -- Square Feet	4,691	5,419	8,058
Sales Per Square Foot -- Selling Area	$87.68	$108.59	$118.27
Total Area -- Square Feet	6,693	9,199	12,455
Sales Per Square Foot -- Total Area	$61.53	$63.26	$78.40
Sales Per Person Employed	$74,608	$85,811	$91,371
Sales Per Customer	$7.96	$8.01	$11.66

*As reported to NRHA by Management Report contributors.

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Figures may not add to totals indicated due to rounding.

Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	116	49	191	406
Net Sales Volume	$975,130	$1,310,944	$975,877	$739,432
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+0.63%	+3.89%	+3.86%	+3.98%
Gross Sales	102.08%	101.35%	101.25%	101.41%
Less: Total Deductions	2.08	1.35	1.25	1.41
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	61.44	64.07	63.81	65.92
Margin Before Purchase Rebate or Patronage Dividend	38.56	35.93	36.19	34.08
Purchase Rebate or Patronage Dividend	.95	1.30	1.13	1.23
Margin After Purchase Rebate or Patronage Dividend	39.51	37.23	37.33	35.31
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	5.50	4.56	4.28	4.11
Salaries/Wages -- Other Employees	14.48	12.83	13.14	11.96
Federal and State Payroll Taxes	1.67	1.50	1.49	1.33
Group Insurance	.94	.86	.93	.79
Benefit Plans	.49	.42	.44	.37
Total Payroll and Other Employee Expense	23.08	20.17	20.27	18.58
Occupancy Expense				
Heat, Light, Power, Water	1.01	.92	1.05	1.06
Building Repairs and Maintenance	.47	.39	.39	.35
Rent or Ownership in Real Estate**	4.33	3.87	4.20	4.08
Total Occupancy Expense	5.81	5.18	5.63	5.48
Other Costs of Doing Business				
Advertising and Promotion	1.95	2.66	2.49	2.33
Insurance (Other than Real Estate and Group)	.80	.65	.73	.77
Taxes (Other than Real Estate and Payroll)	.79	.42	.44	.37
Interest (Other than Real Estate)	1.14	1.10	1.63	1.52
Depreciation (Other than Real Estate)	.80	.66	.95	.95
All Other Expenses	3.56	3.21	3.79	3.67
Total Other Costs of Doing Business	9.04	8.70	10.02	9.61
Total Operating Expenses	37.93	34.05	35.93	33.66
Operating Profit or Loss	1.57	3.18	1.40	1.65
Other Income	2.01	1.06	1.62	1.52
Net Operating Profit or Loss (Before Income Taxes)	3.58	4.24	3.02	3.17
Financial Performance				
Profit on Investment	13.77%	14.39%	13.86%	11.79%
Active Owner's Return	34.90%	29.86%	33.50%	27.10%
Current Asset Ratio	3.28x	4.15x	2.80x	3.49x
Quick Asset Ratio	1.04x	1.02x	.71x	1.01x
Total Debt to Tangible Net Worth	73.21%	57.48%	124.85%	98.56%
Stock Turn Times	2.73x	2.61x	2.59x	2.52x
Sales to Inventory Ratio	4.44x	4.08x	4.06x	3.82x
Average Inventory per Square Foot Sales Area	$30.24	$30.25	$29.08	$27.92
Net Sales to Accounts Receivable	20.16x	26.20x	22.43x	18.76x
Net Sales to Total Assets	2.22x	2.16x	2.04x	1.87x
Net Sales to Net Worth	3.84x	3.40x	4.59x	3.72x
Net Sales to Net Working Capital	4.37x	3.97x	4.69x	3.77x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	23.79%	25.67%	35.89%	32.95%
Consumer Sales -- % of Total Gross Sales	76.21%	74.33%	64.11%	67.05%
Selling Area -- Square Feet	7,266	10,277	7,991	6,653
Sales Per Square Foot -- Selling Area	$128.05	$129.35	$115.49	$106.04
Total Area -- Square Feet	10,953	14,294	13,409	9,991
Sales Per Square Foot -- Total Area	$87.59	$90.57	$71.00	$72.49
Sales Per Person Employed	$85,584	$93,407	$87,886	$92,353
Sales Per Customer	$10.22	$11.79	$10.51	$11.45

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† Metropolitan Statistical Area

Figures may not add to totals indicated due to rounding.

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	302	337	111
Net Sales Volume	$756,755	$988,234	$825,160
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+1.87%	+2.89%	+7.36%
Gross Sales	101.74%	101.38%	101.28%
Less: Total Deductions	1.74	1.38	1.28
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.86	63.77	66.03
Margin Before Purchase Rebate or Patronage Dividend	35.14	36.23	33.97
Purchase Rebate or Patronage Dividend	1.28	1.11	1.25
Margin After Purchase Rebate or Patronage Dividend	36.42	37.34	35.21
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	4.60	4.38	4.58
Salaries/Wages -- Other Employees	13.00	13.05	11.25
Federal and State Payroll Taxes	1.51	1.47	1.19
Group Insurance	1.04	.74	.80
Benefit Plans	.39	.39	.48
Total Payroll and Other Employee Expense	20.54	20.03	18.30
Occupancy Expense			
Heat, Light, Power, Water	.99	1.06	1.05
Building Repairs and Maintenance	.31	.44	.37
Rent or Ownership in Real Estate**	3.62	4.38	4.39
Total Occupancy Expense	4.92	5.88	5.81
Other Costs of Doing Business			
Advertising and Promotion	2.20	2.50	2.14
Insurance (Other than Real Estate and Group)	.73	.75	.78
Taxes (Other than Real Estate and Payroll)	.37	.55	.42
Interest (Other than Real Estate)	1.35	1.42	1.71
Depreciation (Other than Real Estate)	.88	.89	1.08
All Other Expenses	3.80	3.45	3.60
Total Other Costs of Doing Business	9.32	9.56	9.73
Total Operating Expenses	34.78	35.47	33.84
Operating Profit or Loss	1.64	1.86	1.37
Other Income	1.82	1.38	1.66
Net Operating Profit or Loss (Before Income Taxes)	3.47	3.25	3.03

Financial Performance

Profit on Investment	11.78%	13.32%	14.02%
Active Owner's Return	27.41%	31.28%	35.22%
Current Asset Ratio	3.67x	3.26x	2.84x
Quick Asset Ratio	1.09x	.86x	.81x
Total Debt to Tangible Net Worth	81.56%	93.25%	148.51%
Stock Turn Times	2.46x	2.64x	2.70x
Sales to Inventory Ratio	3.80x	4.15x	4.08x
Average Inventory per Square Foot Sales Area	$30.44	$28.15	$29.00
Net Sales to Accounts Receivable	16.57x	26.02x	18.53x
Net Sales to Total Assets	1.87x	2.12x	1.86x
Net Sales to Net Worth	3.40x	4.10x	4.63x
Net Sales to Net Working Capital	3.64x	4.38x	4.38x

Other Operating Data

Credit Sales -- % of Total Gross Sales	33.09%	27.82%	34.29%
Consumer Sales -- % of Total Gross Sales	66.91%	72.18%	65.71%
Selling Area -- Square Feet	6,227	8,543	6,919
Sales Per Square Foot -- Selling Area	$112.88	$114.83	$116.42
Total Area -- Square Feet	11,123	11,576	10,882
Sales Per Square Foot -- Total Area	$67.54	$83.70	$76.73
Sales Per Person Employed	$86,605	$89,353	$102,500
Sales Per Customer	$9.81	$10.98	$14.60

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Store Location: Part II

Income Statement Data	Neighborhood Shopping Center	Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	143	74	121	390
Net Sales Volume	$804,512	$970,485	$1,051,317	$845,412
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+3.78%	+3.22%	+3.67%	+2.94%
Gross Sales	101.02%	100.85%	101.70%	101.62%
Less: Total Deductions	1.02	.85	1.70	1.62
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.08	63.83	65.55	64.42
Margin Before Purchase Rebate or Patronage Dividend	36.92	36.17	34.45	35.58
Purchase Rebate or Patronage Dividend	1.20	1.32	1.07	1.14
Margin After Purchase Rebate or Patronage Dividend	38.12	37.48	35.52	36.72
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	4.89	4.22	4.24	4.52
Salaries/Wages -- Other Employees	12.07	12.82	12.70	12.98
Federal and State Payroll Taxes	1.44	1.47	1.34	1.48
Group Insurance	.68	.85	.88	.90
Benefit Plans	.30	.47	.42	.44
Total Payroll and Other Employee Expense	19.38	19.83	19.58	20.31
Occupancy Expense				
Heat, Light, Power, Water	1.13	1.07	.93	1.02
Building Repairs and Maintenance	.43	.44	.37	.36
Rent or Ownership in Real Estate**	5.31	5.02	3.38	3.87
Total Occupancy Expense	6.88	6.52	4.68	5.25
Other Costs of Doing Business				
Advertising and Promotion	2.75	2.51	1.92	2.28
Insurance (Other than Real Estate and Group)	.77	.72	.78	.73
Taxes (Other than Real Estate and Payroll)	.36	.56	.55	.47
Interest (Other than Real Estate)	1.43	1.31	1.30	1.50
Depreciation (Other than Real Estate)	.99	.97	.71	.95
All Other Expenses	3.75	3.68	3.48	3.59
Total Other Costs of Doing Business	10.05	9.76	8.73	9.52
Total Operating Expenses	36.31	36.12	33.00	35.09
Operating Profit or Loss	1.81	1.36	2.52	1.63
Other Income	1.20	1.14	1.42	1.90
Net Operating Profit or Loss (Before Income Taxes)	3.01	2.50	3.94	3.53
Financial Performance				
Profit on Investment	13.32%	11.21%	15.29%	13.06%
Active Owner's Return	34.96%	30.08%	31.74%	29.76%
Current Asset Ratio	3.26x	3.00x	3.33x	3.42x
Quick Asset Ratio	.75x	.89x	1.02x	.99x
Total Debt to Tangible Net Worth	103.21%	96.84%	91.31%	95.10%
Stock Turn Times	2.39x	2.83x	2.75x	2.59x
Sales to Inventory Ratio	3.79x	4.43x	4.19x	4.03x
Average Inventory per Square Foot Sales Area	$28.28	$26.11	$30.34	$29.48
Net Sales to Accounts Receivable	28.88x	26.84x	16.89x	19.28x
Net Sales to Total Assets	2.18x	2.27x	2.03x	1.90x
Net Sales to Net Worth	4.43x	4.47x	3.88x	3.70x
Net Sales to Net Working Capital	4.19x	4.77x	4.14x	3.99x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	19.13%	27.61%	33.70%	33.86%
Consumer Sales -- % of Total Gross Sales	80.87%	72.39%	66.30%	66.14%
Selling Area -- Square Feet	7,568	8,548	8,303	6,846
Sales Per Square Foot -- Selling Area	$106.14	$115.12	$122.06	$117.62
Total Area -- Square Feet	9,628	11,137	13,057	11,508
Sales Per Square Foot -- Total Area	$83.21	$87.75	$77.89	$72.74
Sales Per Person Employed	$83,060	$92,482	$95,356	$90,771
Sales Per Customer	$9.31	$9.83	$15.29	$10.81

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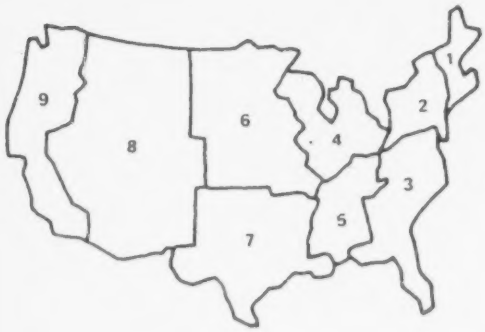
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming
9. **Pacific**
   California, Oregon, Washington

Income Statement Data	1 New England
Number of Stores	53
Net Sales Volume	$903,946
Current year's sales vs. previous year (1989 vs. 1988)*	-3.33%
Gross Sales	101.43%
Less: Total Deductions	1.43
Net Sales	100.00%
Cost of Goods Sold	63.52
Margin Before Purchase Rebate or Patronage Dividend	36.48
Purchase Rebate or Patronage Dividend	.85
Margin After Purchase Rebate or Patronage Dividend	37.33
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	4.82
Salaries/Wages -- Other Employees	13.77
Federal and State Payroll Taxes	1.63
Group Insurance	1.18
Benefit Plans	.44
Total Payroll and Other Employee Expense	21.84
Occupancy Expense	
Heat, Light, Power, Water	.88
Building Repairs and Maintenance	.45
Rent or Ownership in Real Estate**	4.62
Total Occupancy Expense	5.95
Other Costs of Doing Business	
Advertising and Promotion	2.13
Insurance (Other than Real Estate and Group)	.81
Taxes (Other than Real Estate and Payroll)	.08
Interest (Other than Real Estate)	1.14
Depreciation (Other than Real Estate)	1.12
All Other Expenses	3.62
Total Other Costs of Doing Business	8.90
Total Operating Expense	36.70
Operating Profit or Loss	.64
Other Income	1.64
Net Operating Profit or Loss (Before Income Taxes)	2.28
Financial Performance	
Profit on Investment	8.26%
Active Owner's Return	25.75%
Current Asset Ratio	3.61x
Quick Asset Ratio	1.31x
Total Debt to Tangible Net Worth	72.25%
Stock Turn Times	2.97x
Sales to Inventory Ratio	4.68x
Average Inventory per Sq. Ft. Sales Area	$34.03
Net Sales to Accounts Receivable	16.11x
Net Sales to Total Assets	2.11x
Net Sales to Net Worth	3.63x
Net Sales to Net Working Capital	4.12x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	30.04%
Consumer Sales -- % of Total Gross Sales	69.96%
Selling Area -- Square Feet	5,322
Sales Per Square Foot -- Selling Area	$152.69
Total Area -- Square Feet	8,132
Sales Per Square Foot -- Total Area	$99.00
Sales Per Person Employed	$101,400
Sales Per Customer	$13.34

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
84	113	319	31	82	48	40	65
$1,018,939	$985,531	$834,284	$815,376	$631,275	$1,121,652	$842,466	$821,999
+7.57%	+2.25%	+2.70%	-2.72%	+4.91%	+7.17%	+1.27%	+11.11%
100.77%	102.18%	101.42%	101.12%	101.03%	100.88%	102.18%	101.85%
.77	2.18	1.42	1.12	1.03	.88	2.18	1.85
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
67.07	62.61	65.77	66.04	64.47	62.91	63.06	61.65
32.93	37.39	34.23	33.96	35.53	37.09	36.94	38.35
.93	.96	1.79	.86	.75	.91	1.32	1.10
33.86	38.34	36.02	34.82	36.28	38.00	38.26	39.45
4.09	5.21	3.76	4.52	4.16	4.42	4.61	4.60
11.76	13.95	12.73	13.73	11.88	13.37	12.89	12.31
1.39	1.27	1.49	1.35	1.27	1.60	1.48	1.63
.85	.86	.90	.84	.72	.81	.92	.74
.69	.82	.18	.09	.31	.29	.17	.47
18.77	22.11	19.06	20.53	18.34	20.49	20.08	19.75
.98	.97	1.16	.93	1.10	1.15	.96	.87
.35	.37	.34	.48	.34	.51	.38	.37
3.91	4.02	4.12	3.11	3.24	4.69	4.35	5.06
5.24	5.36	5.62	4.51	4.68	6.34	5.69	6.30
2.10	1.69	2.91	1.40	2.80	2.28	2.14	2.39
.70	.70	.71	.77	.87	1.02	.63	.78
.31	.79	.30	.66	.44	.69	.44	.40
1.33	1.14	1.62	1.25	1.76	1.37	1.88	1.31
.68	1.02	.90	.93	1.03	.75	.94	.90
3.04	3.51	3.64	3.59	3.63	3.66	4.18	4.14
8.15	8.85	10.08	8.59	10.53	9.77	10.23	9.93
32.16	36.32	34.76	33.63	33.55	36.60	36.00	35.99
1.70	2.03	1.25	1.19	2.74	1.40	2.26	3.47
.98	1.57	1.34	3.32	1.52	2.45	1.43	1.10
2.67	3.59	2.59	4.50	4.26	3.84	3.69	4.57
11.72%	12.35%	11.02%	14.35%	14.95%	13.81%	17.90%	18.26%
29.63%	30.25%	27.02%	28.77%	29.55%	29.68%	40.26%	36.63%
2.46x	3.58x	3.48x	3.80x	2.92x	3.84x	3.04x	3.75x
.67x	1.13x	.81x	1.77x	.65x	1.06x	.74x	.98x
114.24%	75.40%	117.66%	67.55%	90.93%	84.17%	133.48%	70.70%
3.12x	2.54x	2.35x	3.11x	2.31x	2.51x	2.49x	2.68x
4.65x	4.05x	3.58x	4.72x	3.58x	4.00x	3.95x	4.35x
$28.77	$30.08	$28.19	$27.32	$25.37	$31.46	$30.83	$27.72
20.52x	18.09x	22.21x	11.74x	25.64x	22.68x	28.35x	21.07x
2.05x	1.96x	1.95x	1.90x	1.84x	1.95x	2.08x	2.34x
4.38x	3.44x	4.26x	3.19x	3.51x	3.59x	4.85x	4.00x
5.48x	3.91x	3.82x	3.44x	4.19x	3.88x	4.38x	4.34x
41.12%	31.91%	30.54%	42.59%	25.16%	35.56%	27.03%	27.50%
58.88%	68.09%	69.46%	57.41%	74.84%	64.44%	72.97%	72.50%
6,758	7,445	8,116	6,365	7,077	8,953	6,435	6,620
$136.61	$125.19	$101.94	$101.43	$89.49	$125.12	$120.16	$120.29
12,827	11,513	11,548	12,856	10,641	12,712	9,279	8,365
$75.65	$86.12	$71.19	$64.20	$60.08	$88.12	$83.32	$94.18
$109,704	$93,829	$81,102	$91,582	$80,298	$86,949	$95,194	$87,140
$16.82	$11.77	$10.13	$8.56	$10.00	$13.20	$9.56	$8.38

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	736	110
Net Sales Volume	$847,204	$1,067,382
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+4.28%	-0.84%
Gross Sales	101.41%	101.59%
Less: Total Deductions	1.41	1.59
Net Sales	100.00%	100.00%
Cost of Goods Sold	64.81	63.66
Margin Before Purchase Rebate or Patronage Dividend	35.19	36.34
Purchase Rebate or Patronage Dividend	1.27	1.14
Margin After Purchase Rebate or Patronage Dividend	36.46	37.48
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	4.41	3.64
Salaries/Wages -- Other Employees	12.55	14.42
Federal and State Payroll Taxes	1.44	1.48
Group Insurance	.85	.97
Benefit Plans	.37	.49
Total Payroll and Other Employee Expense	19.62	21.00
Occupancy Expense		
Heat, Light, Power, Water	1.05	1.02
Building Repairs and Maintenance	.36	.41
Rent or Ownership in Real Estate**	4.13	4.04
Total Occupancy Expense	5.55	5.47
Other Costs of Doing Business		
Advertising and Promotion	2.41	2.30
Insurance (Other than Real Estate and Group)	.78	.61
Taxes (Other than Real Estate and Payroll)	.46	.32
Interest (Other than Real Estate)	1.47	1.33
Depreciation (Other than Real Estate)	.91	.89
All Other Expenses	3.63	3.55
Total Other Costs of Doing Business	9.65	9.00
Total Operating Expenses	34.82	35.47
Operating Profit or Loss	1.65	2.01
Other Income	1.56	1.40
Net Operating Profit or Loss (Before Income Taxes)	3.21	3.41
Financial Performance		
Profit on Investment	12.95%	11.61%
Active Owner's Return	30.73%	24.00%
Current Asset Ratio	3.37x	3.18x
Quick Asset Ratio	.91x	.93x
Total Debt to Tangible Net Worth	103.02%	71.92%
Stock Turn Times	2.56x	2.49x
Sales to Inventory Ratio	3.96x	3.91x
Average Inventory per Square Foot Sales Area	$28.98	$28.17
Net Sales to Accounts Receivable	20.77x	19.05x
Net Sales to Total Assets	1.99x	1.98x
Net Sales to Net Worth	4.03x	3.40x
Net Sales to Net Working Capital	4.06x	4.04x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	32.60%	27.03%
Consumer Sales -- % of Total Gross Sales	67.40%	72.97%
Selling Area -- Square Feet	7,250	8,448
Sales Per Square Foot -- Selling Area	$114.96	$106.79
Total Area -- Square Feet	11,177	12,332
Sales Per Square Foot -- Total Area	$74.47	$84.94
Sales Per Person Employed	$88,318	$96,627
Sales Per Customer	$10.75	$13.36

* As reported to NRHA by Management Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

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Age of Operation

Income Statement Data	Less Than 3 Years Old	More Than 3 Years Old
Number of Stores	33	649
Net Sales Volume	$524,409	$902,752
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+4.03%	+3.20%
Gross Sales	100.94%	101.53%
Less: Total Deductions	.94	1.53
Net Sales	100.00%	100.00%
Cost of Goods Sold	64.71	64.18
Margin Before Purchase Rebate or Patronage Dividend	35.29	35.82
Purchase Rebate or Patronage Dividend	.73	1.21
Margin After Purchase Rebate or Patronage Dividend	36.02	37.03
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.80	4.49
Salaries/Wages -- Other Employees	11.87	12.92
Federal and State Payroll Taxes	1.34	1.46
Group Insurance	.45	.85
Benefit Plans	.10	.43
Total Payroll and Other Employee Expense	16.56	20.16
Occupancy Expense		
Heat, Light, Power, Water	1.24	1.03
Building Repairs and Maintenance	.36	.41
Rent or Ownership in Real Estate**	6.01	4.17
Total Occupancy Expense	7.60	5.61
Other Costs of Doing Business		
Advertising and Promotion	2.99	2.35
Insurance (Other than Real Estate and Group)	.80	.76
Taxes (Other than Real Estate and Payroll)	.59	.46
Interest (Other than Real Estate)	3.29	1.41
Depreciation (Other than Real Estate)	1.46	.87
All Other Expenses	4.63	3.61
Total Other Costs of Doing Business	13.76	9.46
Total Operating Expenses	37.93	35.23
Operating Profit or Loss	-1.91	1.81
Other Income	.73	1.60
Net Operating Profit or Loss (Before Income Taxes)	-1.18	3.40
Financial Performance		
Profit on Investment	-9.80%	13.74%
Active Owner's Return	13.44%	31.86%
Current Asset Ratio	3.37x	3.19x
Quick Asset Ratio	.65x	.90x
Total Debt to Tangible Net Worth	395.01%	97.11%
Stock Turn Times	1.95x	2.65x
Sales to Inventory Ratio	3.02x	4.12x
Average Inventory per Square Foot Sales Area	$29.49	$28.75
Net Sales to Accounts Receivable	32.77x	20.82x
Net Sales to Total Assets	1.68x	2.05x
Net Sales to Net Worth	8.30x	4.04x
Net Sales to Net Working Capital	3.39x	4.27x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	19.37%	32.28%
Consumer Sales -- % of Total Gross Sales	80.63%	67.72%
Selling Area -- Square Feet	5,995	7,477
Sales Per Square Foot -- Selling Area	$88.96	$116.64
Total Area -- Square Feet	7,928	11,609
Sales Per Square Foot -- Total Area	$67.28	$75.99
Sales Per Person Employed	$75,901	$90,429
Sales Per Customer	$11.46	$11.03

* As reported to NRHA by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Departmental Sales

The Departmental Sales section of the Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden department in The Management Report shows 90.0% of the reporting stores have a Lawn and Garden department. The data shown for the Lawn and Garden department are only for the 90% of stores who carry lawn and garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other hardware stores which also carry that department.

The Management Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0. Now divide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Lawn and Garden's GMROI, for example is 1.54 which means $1.54 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	15.9	15.5	15.6	114.56	15.7	15.6	15.6
Hand Tools	100.0	6.2	6.5	6.9	126.03	5.9	6.5	6.7
Power Tools & Accessories	100.0	4.5	4.2	5.2	142.49	3.9	4.1	4.8
Plumbing, Heating & Cooling	100.0	12.8	12.9	13.4	123.59	12.5	12.6	13.1
Electrical Supplies	100.0	9.9	8.6	9.2	129.33	9.8	8.6	9.2
Paint & Home Decorating	98.3	13.1	12.2	12.1	128.39	12.9	11.9	11.8
Lumber	19.8	3.7	3.7	4.2	51.12	.8	.7	1.0
Building Materials	32.2	4.0	3.7	3.8	113.12	1.3	1.2	1.5
Lawn & Garden	95.9	13.3	13.8	12.7	122.40	12.8	13.6	12.5
Housewares	88.2	8.2	10.9	8.3	86.61	7.3	10.0	7.7
Automotive Supplies	82.5	3.4	4.1	3.1	93.48	2.7	3.5	2.6
Major Appliances & Home Entertainment	26.2	8.7	6.1	8.4	158.24	2.5	1.6	2.3
Sporting Goods & Outdoor Living	64.7	4.9	5.3	5.1	107.11	3.3	3.5	3.5
Miscellaneous Goods	79.2	10.4	8.5	9.6	113.07	8.6	6.6	7.7
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	46.1	3.8	1.74
Hand Tools	37.7	3.8	1.45
Power Tools & Accessories	29.3	3.5	1.02
Plumbing, Heating & Cooling	44.2	4.2	1.91
Electrical Supplies	42.4	4.4	1.89
Paint & Home Decorating	39.8	4.5	1.80
Lumber	30.6	3.7	1.16
Building Materials	34.7	4.2	1.38
Lawn & Garden	35.2	4.4	1.54
Housewares	34.1	3.6	1.25
Automotive Supplies	36.9	4.3	1.57
Major Appliances & Home Entertainment	26.1	3.6	1.00
Sporting Goods & Outdoor Living	33.1	3.9	1.34
Miscellaneous Goods	37.2	4.4	1.64

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Management Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the retailer.

Salaries -- Owners/Officers/Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Management Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

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Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

Notes

National Retail Hardware Association
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1990 BOTTOM LINE REPORT

HOME CENTERS

DETAILED COST-OF-DOING BUSINESS DATA

NRHA
National Retail Hardware Association

HCI
home center institute

Price:

$25.00 Member
$75.00 Non-Member

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NRHA
National
Retail Hardware
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HCI
home center
institute

Prepared by:

Research Services Department
National Retail Hardware Association/Home Center Institute

Printed in the United States of America

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ISSN 1051-2756

Introduction

The **National Retail Hardware Association** and **Home Center Institute** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for retail hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

The Bottom Line
The 1990 Bottom Line outlines financial operating data for home center operations. A home center, as defined by Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint, and electrical supplies as well as lumber and building materials. Home centers generally have sales in excess of $1 million and contain a minimum of 10,000 square feet of retail selling area. The Bottom Line is designed to:

- Assess financial performance of the home center industry in 1989
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards
- Provide a benchmark for profit planning enabling home center retailers to improve performance levels on a continuing basis.

Additionally, the Bottom Line provides an excellent means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the home center industry.

Four Major Sections
The Bottom Line is divided into four major sections: Historical Trends from 1985 through 1989; The Strategic Profit Model; Average Operating Results for 1989; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet ratios for 1989 and the four previous Bottom Line reports, 1985-1988. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in home center outlets. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any home center. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Origin
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Store Orientation

Methodology
The Bottom Line is made possible only through the cooperation of the home center operators who provide NRHA/HCI with detailed financial information on their individual stores. Questionnaires were mailed in February,1990 and one hundred and sixty-nine usable returns were received by May, 1990 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data tabulation firm.

As thanks for participation in this project, each contributing home center operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographical area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1990 Bottom Line report may be obtained from your regional hardware association or the National Retail Hardware Association/ Home Center Institute, 5822 West 74th Street, Indianapolis, IN 46278, or phone (317) 290-0338.

Historical Trends

Income Statement Data	1989	1988	1987	1986	1985
	ALL HOME CENTERS FISCAL YEAR				
Net Sales Volume	$3,670,568	$4,596,421	$3,750,496	$3,412,005	$2,631,881
Gross Sales	102.80%	102.01%	102.83%	101.96%	102.62%
Less: Total Deductions	2.80	2.01	2.83	1.96	2.62
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	71.84	73.13	73.37	72.63	70.70
Margin Before Purchase Rebate or Patronage Dividend	28.16	26.87	26.63	27.37	29.30
Purchase Rebate or Patronage Dividend	.43	.23	.25	.18	.41
Margin After Purchase Rebate or Patronage Dividend	28.59	27.10	26.88	27.55	29.71
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	3.43	3.08	2.22	2.64	2.47
Salaries/Wages -- Other Employees	10.75	9.98	10.94	9.90	10.23
Federal and State Payroll Taxes	1.15	1.01	1.11	1.07	1.17
Group Insurance	.68	.57	.56	.53	.50
Benefit Plans	.56	.84	.57	.49	.78
Total Payroll and Other Employee Expense	16.58	15.49	15.40	14.63	15.15
Occupancy Expense					
Heat, Light, Power, Water	.58	.44	.58	.64	.67
Building Repairs and Maintenance	.43	.27	.46	.34	.17
Rent or Ownership in Real Estate*	2.27	2.02	2.11	2.19	1.93
Total Occupancy Expense	3.28	2.74	3.15	3.17	2.77
Other Costs of Doing Business					
Advertising and Promotion	1.57	1.55	1.70	1.76	1.93
Insurance (Other than Real Estate or Group)	.56	.58	.61	.61	.37
Taxes (Other than Real Estate and Payroll)	.42	.42	.31	.50	.30
Interest (Other than Real Estate)	1.17	.79	.79	1.03	1.34
Depreciation (Other than Real Estate)	.72	.78	.72	.82	.62
All Other Expenses	4.08	3.55	3.67	3.78	4.19
Total Other Costs of Doing Business	8.52	7.67	7.80	8.49	8.75
Total Operating Expenses	28.37	25.90	26.35	26.29	26.67
Operating Profit or Loss	.21	1.20	.53	1.26	3.04
Other Income	2.22	1.44	1.69	1.57	1.27
Net Operating Profit or Loss (Before Income Taxes)	2.43	2.65	2.22	2.83	4.31
Financial Performance					
Profit on Investment	11.82%	13.15%	12.30%	15.79%	20.89%
Active Owner's Return	28.50%	28.45%	24.62%	30.54%	32.86%
Current Asset Ratio	2.09x	2.40x	2.30x	2.28x	2.45x
Quick Asset Ratio	.88x	1.14x	.89x	1.00x	.95x
Total Debt to Tangible Net Worth	93.74%	82.90%	118.03%	110.09%	90.86%
Stock Turn Times	4.56x	5.45x	4.49x	4.92x	4.10x
Sales to Inventory Ratio	6.34x	7.46x	6.13x	6.78x	5.80x
Average Inventory per Square Foot Sales Area	$37.52	$39.67	$39.05	$32.43	$62.54
Net Sales to Accounts Receivable	12.45x	14.37x	11.97x	10.94x	12.47x
Net Sales to Total Assets	2.51x	2.72x	2.55x	2.66x	2.54x
Net Sales to Net Worth	4.86x	4.97x	5.55x	5.58x	4.85x
Net Sales to Net Working Capital	7.05x	6.62x	3.77x	3.86x	5.96x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	58.90%	62.89%	53.59%	47.42%	41.08%
Consumer Sales -- % of Total Gross Sales	41.10%	37.11%	51.47%	52.25%	62.26%
Selling Area -- Square Feet	16,113	15,534	15,398	15,055	13,738
Sales Per Square Foot -- Selling Area	$241.11	$295.90	$240.67	$226.63	$190.18
Total Area -- Square Feet	39,252	43,474	33,490	35,105	28,015
Sales Per Square Foot -- Total Area	$99.75	$101.85	$97.07	$89.91	$85.06
Sales Per Person Employed	$133,249	$136,940	$128,930	$136,719	$107,839
Sales Per Customer	$29.73	$28.43	$25.60	$33.27	$29.63

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1989	1988	1987	1986	1985	1989	1988	1987	1986	1985
Hardware	9.4%	9.2%	6.5%	8.9%	9.1%	$152.75	$146.51	$160.20	$155.21	$130.67
Hand Tools	3.1	2.7	2.6	3.1	3.0	170.69	191.50	190.58	170.87	114.88
Power Tools & Accessories	2.6	2.4	2.3	3.8	2.4	206.53	162.01	189.24	203.09	145.08
Plumbing, Heating & Cooling	8.2	6.8	5.4	5.8	6.6	158.26	176.51	191.83	151.23	130.72
Electrical Supplies	5.2	4.7	3.6	4.3	4.5	150.87	180.24	175.49	142.74	121.19
Paint & Home Decorating	8.0	7.5	5.4	6.0	7.3	157.93	131.31	159.63	127.01	143.42
Lumber	24.3	31.4	31.7	28.7	27.7	599.47	693.11	748.85	490.75	389.12
Building Materials	22.3	21.9	24.8	25.9	26.8	513.76	660.69	473.34	399.08	225.61
Lawn & Garden	5.8	4.5	4.4	4.9	5.0	151.35	144.15	152.86	163.40	125.27
Housewares	1.9	1.5	1.5	1.2	1.3	111.08	61.79	82.71	58.15	71.48
Automotive Supplies	.7	.6	1.9	.5	.9	102.18	103.54	84.46	90.39	110.64
Major Appliances & Home Entertainment	1.2	1.0	.5	1.2	.5	NA	71.63	263.43	121.28	130.01
Sporting Goods & Outdoor Living	.9	.8	.5	.4	.8	112.92	145.98	162.91	NA	112.03
Miscellaneous Goods	6.4	5.0	9.1	5.3	4.1	235.35	79.89	263.13	247.16	102.85

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1989	1988	1987	1986	1985	1989	1988	1987	1986	1985
Hardware	5.9x	6.4x	4.5x	5.5x	4.7x	$2.34	$2.78	$1.73	$2.06	$1.88
Hand Tools	4.4	5.6	4.7	6.0	5.8	1.84	2.27	1.55	2.07	2.06
Power Tools & Accessories	5.2	5.8	4.2	5.6	4.2	1.90	2.00	1.22	1.66	1.28
Plumbing, Heating & Cooling	6.2	6.4	4.0	5.0	5.1	2.75	2.49	1.44	1.79	1.88
Electrical Supplies	5.2	5.0	3.7	5.3	5.0	2.37	1.93	1.38	1.94	1.87
Paint & Home Decorating	6.5	6.5	4.8	6.2	6.1	3.03	2.47	1.59	2.19	2.06
Lumber	8.8	8.7	8.5	9.4	6.9	2.39	1.93	2.02	2.20	1.72
Building Materials	7.2	7.1	7.8	8.7	6.6	2.43	1.88	2.04	2.18	1.74
Lawn & Garden	4.9	5.5	5.5	6.6	5.0	1.92	1.62	1.74	2.10	1.57
Housewares	5.2	5.4	3.7	3.5	3.9	2.32	1.60	1.17	.95	1.28
Automotive Supplies	4.6	7.2	6.9	3.4	4.5	1.93	2.28	2.01	.85	1.44
Major Appliances & Home Entertainment	6.0	4.2	2.5	4.8	3.8	1.26	.71	.45	1.00	.67
Sporting Goods & Outdoor Living	2.7	4.6	4.2	3.4	3.7	1.08	.99	1.17	.85	1.21
Miscellaneous Goods	7.1	7.5	7.3	8.6	4.8	2.58	2.03	2.46	2.65	.86

* Average Home Center

Monthly Sales

Month	1989	1988	1987	1986	1985
January	6.1%	5.7%	6.0%	6.0%	6.0%
February	5.5	6.0	5.8	5.0	5.4
March	7.0	7.7	7.5	6.2	6.9
April	8.6	9.2	8.5	8.2	8.8
May	9.2	9.7	9.6	9.6	9.8
June	9.9	9.8	9.9	10.1	9.6
July	9.4	9.3	9.5	9.9	9.4
August	9.6	9.0	9.1	9.1	9.4
September	9.4	9.0	8.9	9.9	8.8
October	9.5	9.0	9.3	9.7	9.1
November	8.2	8.0	8.1	8.2	8.4
December	7.6	7.6	7.8	8.1	8.4

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

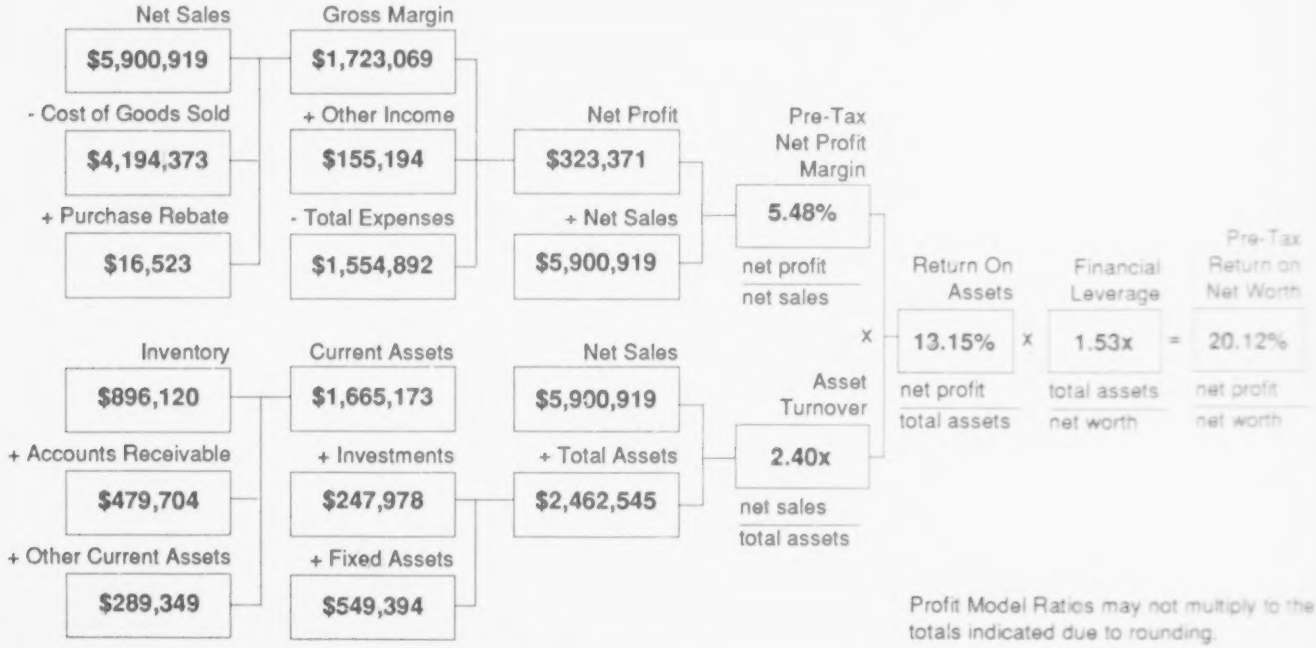
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated due to rounding.

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1989 Highlights

Type Of Home Center	1989 Net Sales ($)	Sales Increase Over 1988* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Home Centers	3,670,568	+4.56	28.59	2.43	11.82	4.56
Low Profit	2,857,365	+4.32	26.25	-1.75	-11.57	4.22
High Profit	5,900,919	+6.23	29.20	5.48	20.15	4.76
Sales Volume Size						
Under $3,000,000	1,992,288	+6.26	29.65	1.40	7.82	3.71
$3,000,000 to $4,999,999	3,895,565	+1.83	27.79	1.27	7.34	4.84
$5,000,000 or more	8,378,798	+5.46	28.37	3.95	16.00	5.19
Sales Floor Size						
Under 15,000 Sq. Ft.	3,485,518	+3.84	27.86	1.52	8.29	4.76
15,000 to 19,999 Sq. Ft.	3,141,421	+6.52	29.10	2.87	16.16	4.45
20,000 Sq. Ft. or more	5,396,530	+5.23	29.84	4.49	16.78	4.40
Type of Origin						
Originally Hardware	3,338,111	+4.85	33.45	5.33	16.84	3.40
Originally Lumber/Building Materials	3,819,077	+3.59	27.07	1.58	8.78	4.92
Organized as Home Center	3,106,185	+1.78	30.09	2.20	15.87	4.70
Trade Area Size						
Metropolitan Statistical Areas	5,122,860	+8.23	30.72	4.54	18.74	4.99
Cities 10,000 to 50,000	3,202,302	+6.52	29.41	1.07	6.27	4.76
Towns Under 10,000	3,609,668	+1.07	26.72	2.52	11.41	4.22
Outlet Location: Part I						
Downtown	5,225,856	+6.15	28.94	3.06	13.20	4.65
Rural & Suburban	3,467,027	+5.19	28.52	2.36	11.75	4.53
Outlet Location: Part II						
Shopping Centers	2,739,202	+4.43	33.23	3.52	19.23	3.99
Free-Standing -- No Stores Adjacent	4,337,009	+4.80	26.66	2.38	14.64	5.56
Free-Standing -- Stores Nearby	3,490,316	+3.09	29.07	2.43	9.87	4.09
Number of Stores:						
Single Store Business	4,290,215	+4.59	29.10	3.38	15.35	4.95
Multiple Store Business	2,964,641	+4.52	27.73	.88	4.80	4.04

* As reported by Bottom Line contributors.

1989 Monthly Sales

	%
January	6.1
February	5.5
March	7.0
April	8.6
May	9.2
June	9.9
July	9.4
August	9.6
September	9.4
October	9.5
November	8.2
December	7.6

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	169	44	44
Net Sales Volume	$3,670,568	$2,857,365	$5,900,919
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+4.56%	+4.32%	+6.23%
Gross Sales	102.80%	103.04%	102.80%
Less: Total Deductions	2.80	3.04	2.80
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.84	74.36	71.08
Margin Before Purchase Rebate or Patronage Dividend	28.16	25.64	28.92
Purchase Rebate or Patronage Dividend	.43	.61	.28
Margin After Purchase Rebate or Patronage Dividend	28.59	26.25	29.20
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	3.43	4.31	2.77
Salaries/Wages -- Other Employees	10.75	9.28	11.35
Federal and State Payroll Taxes	1.15	1.21	1.17
Group Insurance	.68	.88	.64
Benefit Plans	.56	.37	.58
Total Payroll and Other Employee Expense	16.58	16.04	16.50
Occupancy Expense			
Heat, Light, Power, Water	.58	.70	.44
Building Repairs and Maintenance	.43	.39	.45
Rent or Ownership in Real Estate**	2.27	2.43	1.76
Total Occupancy Expense	3.28	3.53	2.65
Other Costs of Doing Business			
Office Supplies and Postage	.41	.46	.37
Advertising and Promotion	1.57	1.69	1.44
Donations	.06	.06	.07
Telephone and Telegraph	.27	.35	.19
Bad Debts	.33	.49	.21
Credit Card Expense (Bank Charges)	.13	.15	.16
Delivery (Other than Wages)	.74	1.51	.52
Leasing Expenses (Non-Occupancy)	.15	.28	.09
Insurance (Other than Real Estate and Group)	.56	.48	.56
Taxes (Other than Real Estate and Payroll)	.42	.27	.61
Interest (Other than Real Estate)	1.17	2.00	.65
Depreciation (Other than Real Estate)	.72	.71	.65
Store and Shop Supplies	.26	.33	.18
Legal and Accounting	.32	.41	.23
Computer Services and Expenses (Other than Wages)	.20	.32	.09
Dues and Subscriptions	.06	.06	.05
Travel and Entertainment	.22	.25	.20
Miscellaneous Services (Laundry, Disposal, Etc.)	.07	.10	.04
Unclassified Expenses	.87	1.11	.89
Total Other Costs of Doing Business	8.52	11.04	7.19
Total Operating Expenses	28.37	30.62	26.35
Operating Profit or Loss	.21	-4.37	2.85
Other Income	2.22	2.63	2.63
Net Operating Profit or Loss (Before Income Taxes)	2.43	-1.75	5.48

* As reported to NRHA/HCI by Bottom Line contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,462,778	$1,208,161	$2,462,545
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.60	.99	7.36
Notes and Installment Contracts Receivable	1.85	1.43	2.71
Accounts Receivable	20.16	21.78	19.48
Merchandise Inventory (End of Year)	39.62	39.32	36.39
Other Current Assets	2.07	3.92	1.68
Total Current Assets	68.30	67.44	67.62
Stocks and Bonds	3.34	3.16	3.74
Real Estate (Not Used In Business)	1.97	7.74	.57
Other Investments	6.59	4.65	5.75
Total Investments	11.90	15.55	10.07
Land (Owned and Used In Business)	2.98	1.64	4.08
Buildings (Owned and Used In Bus. Less Deprec.)	7.56	7.36	9.12
Leasehold Improvements (Less Amortization Allowance)	1.74	.96	1.39
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Deprec.)	4.59	4.95	4.39
Delivery Equipment (Owned and Used in Bus. Less Deprec.)	1.81	.72	1.93
Other Fixed Assets	1.12	1.38	1.39
Total Fixed Assets	19.80	17.01	22.31
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.17	13.38	11.68
Current Portion of Notes Payable	12.70	25.64	5.31
Accrued Payroll Taxes	.48	.40	.59
Accrued Other Taxes	.68	.34	.63
Other Accrued Expenses	2.49	3.07	2.42
Other Current Liabilities	3.17	1.00	3.07
Total Current Liabilities	32.70	43.82	23.69
Notes Due Partners/Officers	2.23	2.00	1.62
Mortgage Payable	2.08	2.48	2.43
Long Term Debt	10.55	14.72	6.38
Other Long Term Liabilities	.83	1.29	.73
Total Long Term Liabilities	15.69	20.48	11.15
Total Liabilities	48.38	64.29	34.84
Net Worth	51.62	35.71	65.16
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	11.82%	-11.57%	20.15%
Active Owner's Return	28.50%	16.97%	30.33%
Current Asset Ratio	2.09x	1.54x	2.85x
Quick Asset Ratio	.88x	.64x	1.32x
Total Debt to Tangible Net Worth	93.74%	180.05%	53.47%
Stock Turn Times	4.56x	4.22x	4.76x
Sales to Inventory Ratio	6.34x	5.67x	6.70x
Average Inventory per Square Foot Sales Area	$37.52	$50.69	$46.64
Net Sales to Accounts Receivable	12.45x	10.86x	12.30x
Net Sales to Total Assets	2.51x	2.37x	2.40x
Net Sales to Net Worth	4.86x	6.62x	3.68x
Net Sales to Net Working Capital	7.05x	10.01x	5.45x

Other Operating Data

Credit Sales -- % of Total Gross Sales	58.90%	59.55%	60.76%
Consumer Sales -- % of Total Gross Sales	41.10%	40.45%	39.24%
Selling Area -- Square Feet	16,113	11,656	19,147
Sales Per Square Foot -- Selling Area	$241.11	$299.47	$311.69
Total Area -- Square Feet	39,252	31,867	48,423
Sales Per Square Foot -- Total Area	$99.75	$109.71	$121.86
Sales Per Person Employed	$133,249	$136,954	$149,640
Sales Per Customer	$29.73	$41.54	$38.05

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

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Sales Volume Size

Income Statement Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Stores	93	45	31
Net Sales Volume	$1,992,288	$3,895,565	$8,378,798
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	6.26%	1.83%	5.46%
Gross Sales	104.53%	100.84%	102.90%
Less: Total Deductions	4.53	.84	2.90
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.21	72.43	71.89
Margin Before Purchase Rebate or Patronage Dividend	28.79	27.57	28.11
Purchase Rebate or Patronage Dividend	.86	.22	.25
Margin After Purchase Rebate or Patronage Dividend	29.65	27.79	28.37
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	4.21	3.76	2.66
Salaries/Wages – Other Employees	9.73	9.92	12.04
Federal and State Payroll Taxes	1.32	1.13	1.05
Group Insurance	.74	.69	.64
Benefit Plans	.35	.45	.79
Total Payroll and Other Employee Expense	16.34	15.94	17.17
Occupancy Expense			
Heat, Light, Power, Water	.82	.56	.43
Building Repairs and Maintenance	.46	.41	.42
Rent or Ownership in Real Estate**	2.75	2.41	1.83
Total Occupancy Expense	4.03	3.38	2.68
Other Costs of Doing Business			
Office Supplies and Postage	.40	.45	.38
Advertising and Promotion	1.81	1.55	1.40
Donations	.04	.07	.07
Telephone and Telegraph	.32	.29	.21
Bad Debts	.37	.29	.33
Credit Card Expense (Bank Charges)	.14	.09	.16
Delivery (Other than Wages)	.79	.96	.56
Leasing Expenses (Non-Occupancy)	.31	.13	.04
Insurance (Other than Real Estate or Group)	.63	.56	.52
Taxes (Other than Real Estate and Payroll)	.35	.23	.61
Interest (Other than Real Estate)	1.64	1.29	.74
Depreciation (Other than Real Estate)	.83	.65	.68
Store and Shop Supplies	.40	.13	.24
Legal and Accounting	.28	.40	.30
Computer Services and Expenses (Other than Wages)	.24	.22	.16
Dues and Subscriptions	.07	.06	.04
Travel, Buying, Entertainment	.24	.25	.18
Miscellaneous Services (Laundry, Disposal, Etc.)	.06	.12	.04
Unclassified Expenses	.62	1.24	.79
Total Other Costs of Doing Business	9.54	9.00	7.47
Total Operating Expenses	29.91	28.31	27.32
Operating Profit or Loss	-.26	-.52	1.04
Other Income	1.66	1.79	2.91
Net Operating Profit or Loss (Before Income Taxes)	1.40	1.27	3.95

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** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Total Dollar Assets	$833,793	$1,491,490	$3,308,054
		% of Total Assets	
Assets			
Cash On Hand and In Bank	3.59	3.27	6.23
Notes and Installment Contracts Receivable	.86	1.53	2.81
Accounts Receivable	18.62	22.16	20.02
Merchandise Inventory (End of Year)	45.59	39.26	35.34
Other Current Assets	1.81	2.97	1.68
Total Current Assets	70.47	69.19	66.08
Stocks and Bonds	4.41	2.29	3.22
Real Estate (Not Used In Business)	.87	5.98	.17
Other Investments	5.27	6.04	7.96
Total Investments	10.55	14.31	11.35
Land (Owned and Used In Business)	1.92	.62	5.33
Buildings (Owned and Used In Bus. Less Deprec.)	6.22	6.64	9.17
Leasehold Improvements (Less Amortization Allowance)	2.64	1.28	1.36
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Deprec.)	5.71	4.31	3.93
Delivery Equipment (Owned and Used in Bus. Less Deprec.)	1.76	1.08	2.34
Other Fixed Assets	.73	2.57	.46
Total Fixed Assets	18.98	16.51	22.57
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.82	13.87	12.23
Current Portion of Notes Payable	13.33	20.31	7.24
Accrued Payroll Taxes	.41	.33	.62
Accrued Other Taxes	.88	.54	.63
Other Accrued Expenses	1.92	2.90	2.66
Other Current Liabilities	3.67	3.56	2.54
Total Current Liabilities	34.03	41.51	25.92
Notes Due Partners/Officers	5.01	.76	1.10
Mortgage Payable	2.52	.63	2.69
Long Term Debt	14.73	10.58	7.38
Other Long Term Liabilities	1.07	1.30	.33
Total Long Term Liabilities	23.33	13.27	11.50
Total Liabilities	57.36	54.77	37.42
Net Worth	42.64	45.23	62.58
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	7.82%	7.34%	16.00%
Active Owner's Return	31.39%	29.05%	26.76%
Current Asset Ratio	2.07x	1.67x	2.55x
Quick Asset Ratio	.73x	.72x	1.19x
Total Debt to Tangible Net Worth	134.53%	121.12%	59.78%
Stock Turn Times	3.71x	4.84x	5.19x
Sales to Inventory Ratio	5.21x	6.68x	7.22x
Average Inventory per Square Foot Sales Area	$25.81	$42.75	$51.73
Net Sales to Accounts Receivable	12.83x	11.79x	12.65x
Net Sales to Total Assets	2.39x	2.61x	2.53x
Net Sales to Net Worth	5.60x	5.78x	4.05x
Net Sales to Net Working Capital	6.56x	9.44x	6.31x

Other Operating Data

Credit Sales -- % of Total Gross Sales	51.93%	63.89%	63.52%
Consumer Sales -- % of Total Gross Sales	48.07%	36.11%	36.48%
Selling Area -- Square Feet	14,802	13,839	22,436
Sales Per Square Foot -- Selling Area	$136.52	$281.56	$373.45
Total Area -- Square Feet	30,192	35,964	66,734
Sales Per Square Foot -- Total Area	$67.83	$107.79	$129.02
Sales Per Person Employed	$115,930	$133,930	$149,339
Sales Per Customer	$15.27	$37.95	$53.05

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Sales Floor Size

Income Statement Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	86	27	36
Net Sales Volume	$3,485,518	$3,141,421	$5,396,530
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	3.84%	6.52%	5.23%
Gross Sales	102.52%	102.32%	102.45%
Less: Total Deductions	2.52	2.32	2.45
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.34	71.39	70.73
Margin Before Purchase Rebate or Patronage Dividend	27.66	28.61	29.27
Purchase Rebate or Patronage Dividend	.20	.49	.56
Margin After Purchase Rebate or Patronage Dividend	27.86	29.10	29.84
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	3.96	2.89	2.65
Salaries/Wages -- Other Employees	9.82	10.82	12.53
Federal and State Payroll Taxes	1.06	1.23	1.18
Group Insurance	.66	.74	.62
Benefit Plans	.53	.28	.73
Total Payroll and Other Employee Expense	16.03	15.96	17.72
Occupancy Expense			
Heat, Light, Power, Water	.54	.62	.61
Building Repairs and Maintenance	.40	.47	.47
Rent or Ownership in Real Estate**	2.31	2.07	2.25
Total Occupancy Expense	3.25	3.16	3.33
Other Costs of Doing Business			
Office Supplies and Postage	.40	.44	.40
Advertising and Promotion	1.50	1.63	1.62
Donations	.06	.03	.08
Telephone and Telegraph	.28	.33	.20
Bad Debts	.36	.31	.28
Credit Card Expense (Bank Charges)	.11	.17	.16
Delivery (Other than Wages)	.85	.36	.51
Leasing Expenses (Non-Occupancy)	.09	.19	.09
Insurance (Other than Real Estate or Group)	.53	.61	.60
Taxes (Other than Real Estate and Payroll)	.35	.57	.55
Interest (Other than Real Estate)	1.26	1.23	.83
Depreciation (Other than Real Estate)	.78	.66	.68
Store and Shop Supplies	.25	.22	.26
Legal and Accounting	.41	.25	.26
Computer Services and Expenses (Other than Wages)	.21	.25	.13
Dues and Subscriptions	.06	.06	.05
Travel, Buying, Entertainment	.21	.28	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.06	.02	.09
Unclassified Expenses	1.03	.94	.66
Total Other Costs of Doing Business	8.81	8.56	7.67
Total Operating Expenses	28.09	27.68	28.72
Operating Profit or Loss	-.23	1.43	1.12
Other Income	1.76	1.45	3.38
Net Operating Profit or Loss (Before Income Taxes)	1.52	2.87	4.49

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Sales Floor Size

Balance Sheet Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,317,555	$1,194,326	$2,347,848
		% of Total Assets	
Assets			
Cash On Hand and In Bank	4.00	5.98	5.50
Notes and Installment Contracts Receivable	2.08	.90	1.64
Accounts Receivable	23.61	18.33	16.89
Merchandise Inventory (End of Year)	40.08	44.24	36.80
Other Current Assets	2.03	1.38	2.13
Total Current Assets	71.80	70.84	62.95
Stocks and Bonds	3.38	1.61	3.04
Real Estate (Not Used In Business)	3.52	1.18	.48
Other Investments	3.43	8.62	9.58
Total Investments	10.33	11.40	13.10
Land (Owned and Used In Business)	1.50	1.72	5.82
Buildings (Owned and Used In Bus. Less Deprec.)	6.01	5.61	10.29
Leasehold Improvements (Less Amortization Allowance)	2.16	3.20	.84
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Deprec.)	4.89	5.19	4.11
Delivery Equipment (Owned and Used in Bus. Less Deprec.)	2.20	1.08	1.78
Other Fixed Assets	1.10	.95	1.11
Total Fixed Assets	17.87	17.76	23.94
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.74	12.75	11.50
Current Portion of Notes Payable	14.13	11.32	7.26
Accrued Payroll Taxes	.50	.55	.47
Accrued Other Taxes	.71	.80	.73
Other Accrued Expenses	3.30	1.70	1.51
Other Current Liabilities	3.93	2.62	2.91
Total Current Liabilities	37.31	29.73	24.38
Notes Due Partners/Officers	2.41	2.51	1.76
Mortgage Payable	.61	3.19	4.04
Long Term Debt	9.82	16.93	7.98
Other Long Term Liabilities	1.21	.84	.29
Total Long Term Liabilities	14.05	23.47	14.06
Total Liabilities	51.36	53.20	38.44
Net Worth	48.64	46.80	61.56
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	8.29%	16.16%	16.78%
Active Owner's Return	29.83%	32.40%	26.68%
Current Asset Ratio	1.92x	2.38x	2.58x
Quick Asset Ratio	.85x	.89x	1.07x
Total Debt to Tangible Net Worth	105.60%	113.70%	62.45%
Stock Turn Times	4.76x	4.45x	4.44x
Sales to Inventory Ratio	6.58x	6.23x	6.28x
Average Inventory per Square Foot Sales Area	$48.18	$30.24	$30.76
Net Sales to Accounts Receivable	11.21x	14.35x	13.61x
Net Sales to Total Assets	2.65x	2.63x	2.30x
Net Sales to Net Worth	5.44x	5.62x	3.73x
Net Sales to Net Working Capital	7.67x	6.40x	5.96x

Other Operating Data

Credit Sales -- % of Total Gross Sales	62.17%	21.98%	60.01%
Consumer Sales -- % of Total Gross Sales	37.83%	78.02%	39.99%
Selling Area -- Square Feet	10,987	16,666	27,943
Sales Per Square Foot -- Selling Area	$317.25	$188.49	$193.13
Total Area -- Square Feet	27,828	36,483	69,534
Sales Per Square Foot -- Total Area	$125.13	$86.11	$83.83
Sales Per Person Employed	$142,937	$125,177	$126,535
Sales Per Customer	$39.93	$24.51	$22.84

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Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Originally Home Center
Number of Stores	38	98	17
Net Sales Volume	$3,338,111	$3,819,077	$3,106,185
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	4.85%	3.59%	1.78%
Gross Sales	102.39%	102.70%	104.91%
Less: Total Deductions	2.39	2.70	4.91
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.96	73.35	70.72
Margin Before Purchase Rebate or Patronage Dividend	33.04	26.65	29.28
Purchase Rebate or Patronage Dividend	.41	.42	.81
Margin After Purchase Rebate or Patronage Dividend	33.45	27.07	30.09
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	3.80	3.23	2.77
Salaries/Wages -- Other Employees	11.60	10.42	10.74
Federal and State Payroll Taxes	1.17	1.19	1.12
Group Insurance	.54	.75	.55
Benefit Plans	.50	.60	.60
Total Payroll and Other Employee Expense	17.62	16.17	15.78
Occupancy Expense			
Heat, Light, Power, Water	.84	.51	.71
Building Repairs and Maintenance	.51	.39	.57
Rent or Ownership in Real Estate**	2.59	2.12	3.25
Total Occupancy Expense	3.94	3.02	4.53
Other Costs of Doing Business			
Advertising and Promotion	1.70	1.46	1.79
Insurance (Other than Real Estate or Group)	.61	.54	.49
Taxes (Other than Real Estate and Payroll)	.95	.26	.11
Interest (Other than Real Estate)	.88	1.20	1.15
Depreciation (Other than Real Estate)	.78	.65	.74
All Other Expenses	3.28	4.12	3.97
Total Other Costs of Doing Business	8.20	8.22	8.26
Total Operating Expenses	29.76	27.42	28.58
Operating Profit or Loss	3.69	-.35	1.51
Other Income	1.64	1.93	.69
Net Operating Profit or Loss (Before Income Taxes)	5.33	1.58	2.20
Financial Performance			
Profit on Investment	16.84%	8.78%	15.87%
Active Owner's Return	28.82%	26.72%	35.86%
Current Asset Ratio	3.10x	1.92x	1.82x
Quick Asset Ratio	1.22x	.80x	.66x
Total Debt to Tangible Net Worth	53.10%	105.16%	146.02%
Stock Turn Times	3.40x	4.92x	4.70x
Sales to Inventory Ratio	5.07x	6.71x	6.65x
Average Inventory per Square Foot Sales Area	$34.77	$41.19	$26.55
Net Sales to Accounts Receivable	13.92x	12.63x	15.88x
Net Sales to Total Assets	2.06x	2.71x	2.93x
Net Sales to Net Worth	3.16x	5.56x	7.21x
Net Sales to Net Working Capital	4.55x	8.11x	9.59x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	42.40%	61.55%	54.64%
Consumer Sales -- % of Total Gross Sales	57.60%	38.45%	45.36%
Selling Area -- Square Feet	18,919	14,954	17,588
Sales Per Square Foot -- Selling Area	$176.44	$285.31	$176.61
Total Area -- Square Feet	36,174	42,989	32,948
Sales Per Square Foot -- Total Area	$92.28	$100.44	$90.61
Sales Per Person Employed	$118,118	$140,734	$115,866
Sales Per Customer	$14.19	$45.67	$25.31

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Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Stores	27	69	69
Net Sales Volume	$5,122,860	$3,202,302	$3,609,668
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	8.23%	6.52%	1.07%
Gross Sales	102.68%	104.50%	101.46%
Less: Total Deductions	2.68	4.50	1.46
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.54	71.28	73.54
Margin Before Purchase Rebate or Patronage Dividend	30.46	28.72	26.46
Purchase Rebate or Patronage Dividend	.26	.70	.26
Margin After Purchase Rebate or Patronage Dividend	30.72	29.41	26.72
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.21	4.39	3.31
Salaries/Wages -- Other Employees	12.50	10.56	10.01
Federal and State Payroll Taxes	1.24	1.28	1.02
Group Insurance	.75	.74	.60
Benefit Plans	.56	.67	.48
Total Payroll and Other Employee Expense	17.27	17.64	15.41
Occupancy Expense			
Heat, Light, Power, Water	.48	.65	.58
Building Repairs and Maintenance	.42	.44	.40
Rent or Ownership in Real Estate**	2.02	2.46	2.22
Total Occupancy Expense	2.92	3.55	3.20
Other Costs of Doing Business			
Advertising and Promotion	1.46	1.72	1.47
Insurance (Other than Real Estate or Group)	.51	.47	.68
Taxes (Other than Real Estate and Payroll)	.24	.28	.63
Interest (Other than Real Estate)	.77	1.46	1.08
Depreciation (Other than Real Estate)	.60	.77	.73
All Other Expenses	3.57	4.32	4.18
Total Other Costs of Doing Business	7.15	9.02	8.76
Total Operating Expenses	27.34	30.21	27.38
Operating Profit or Loss	3.38	-.80	-.66
Other Income	1.16	1.87	3.18
Net Operating Profit or Loss (Before Income Taxes)	4.54	1.07	2.52
Financial Performance			
Profit on Investment	18.74%	6.27%	11.41%
Active Owner's Return	27.88%	31.91%	26.39%
Current Asset Ratio	2.34x	1.90x	2.15x
Quick Asset Ratio	1.03x	.78	.90
Total Debt to Tangible Net Worth	68.93%	122.57%	85.80%
Stock Turn Times	4.99x	4.76x	4.22x
Sales to Inventory Ratio	7.18x	6.68x	5.74x
Average Inventory per Square Foot Sales Area	$39.56	$30.34	$42.88
Net Sales to Accounts Receivable	13.61x	12.90x	11.52x
Net Sales to Total Assets	2.44x	2.62x	2.44x
Net Sales to Net Worth	4.13x	5.84x	4.53x
Net Sales to Net Working Capital	6.70x	8.48x	6.24x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	60.14%	56.09%	63.03%
Consumer Sales -- % of Total Gross Sales	39.86%	43.91%	36.97%
Selling Area -- Square Feet	18,039	16,931	14,759
Sales Per Square Foot -- Selling Area	$284.00	$215.57	$245.16
Total Area -- Square Feet	45,941	34,709	40,739
Sales Per Square Foot -- Total Area	$111.60	$102.69	$92.30
Sales Per Person Employed	$137,226	$123,372	$141,137
Sales Per Customer	$20.17	$30.96	$44.74

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Store Location: Part I

Income Statement Data	Downtown	Rural And Suburban
Number of Stores	25	131
Net Sales Volume	$5,225,856	$3,467,027
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	6.15%	5.19%
Gross Sales	103.34%	102.84%
Less: Total Deductions	3.34	2.84
Net Sales	100.00%	100.00%
Cost of Goods Sold	71.30	71.95
Margin Before Purchase Rebate or Patronage Dividend	28.70	28.05
Purchase Rebate or Patronage Dividend	.24	.47
Margin After Purchase Rebate or Patronage Dividend	28.94	28.52
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	3.29	3.42
Salaries/Wages -- Other Employees	11.49	10.56
Federal and State Payroll Taxes	1.11	1.15
Group Insurance	.60	.69
Benefit Plans	.42	.60
Total Payroll and Other Employee Expense	16.92	16.43
Occupancy Expense		
Heat, Light, Power, Water	.44	.62
Building Repairs and Maintenance	.32	.45
Rent or Ownership in Real Estate**	2.29	2.25
Total Occupancy Expense	3.05	3.32
Other Costs of Doing Business		
Advertising and Promotion	1.27	1.61
Insurance (Other than Real Estate or Group)	.68	.53
Taxes (Other than Real Estate and Payroll)	.86	.31
Interest (Other than Real Estate)	.91	1.19
Depreciation (Other than Real Estate)	.72	.71
All Other Expenses	3.61	4.21
Total Other Costs of Doing Business	8.05	8.57
Total Operating Expenses	28.03	28.32
Operating Profit or Loss	.92	.20
Other Income	2.14	2.16
Net Operating Profit or Loss (Before Income Taxes)	3.06	2.36

Financial Performance

Profit on Investment	13.20%	11.75%
Active Owner's Return	27.41%	28.79%
Current Asset Ratio	2.77x	1.95x
Quick Asset Ratio	1.30x	.78x
Total Debt to Tangible Net Worth	69.07%	99.77%
Stock Turn Times	4.65x	4.53x
Sales to Inventory Ratio	6.52x	6.29x
Average Inventory per Square Foot Sales Area	$48.51	$35.48
Net Sales to Accounts Receivable	10.35x	13.79x
Net Sales to Total Assets	2.55x	2.49x
Net Sales to Net Worth	4.32x	4.98x
Net Sales to Net Working Capital	5.32x	7.80x

Other Operating Data

Credit Sales -- % of Total Gross Sales	69.11%	53.45%
Consumer Sales -- % of Total Gross Sales	30.89%	46.55%
Selling Area -- Square Feet	16,517	16,354
Sales Per Square Foot -- Selling Area	$316.39	$227.34
Total Area -- Square Feet	49,906	37,887
Sales Per Square Foot -- Total Area	$104.87	$99.37
Sales Per Person Employed	$146,257	$132,348
Sales Per Customer	$44.07	$27.64

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Store Location: Part II

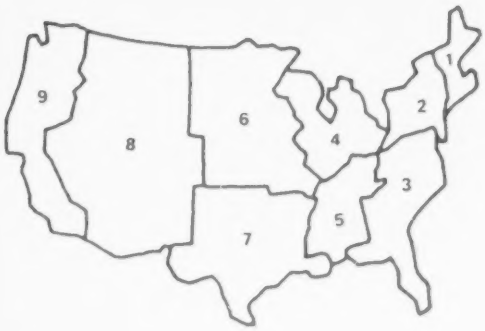
Income Statement Data	Shopping Centers	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	21	52	90
Net Sales Volume	$2,739,202	$4,337,009	$3,490,316
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	4.43%	4.80%	6.09%
Gross Sales	102.99%	102.61%	103.09%
Less: Total Deductions	2.99	2.61	3.09
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	67.24	73.77	71.31
Margin Before Purchase Rebate or Patronage Dividend	32.76	26.23	28.69
Purchase Rebate or Patronage Dividend	.47	.43	.38
Margin After Purchase Rebate or Patronage Dividend	33.23	26.66	29.07
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	5.23	3.19	3.31
Salaries/Wages -- Other Employees	9.54	10.55	11.03
Federal and State Payroll Taxes	1.37	1.05	1.18
Group Insurance	.77	.63	.68
Benefit Plans	.28	.63	.58
Total Payroll and Other Employee Expense	17.19	16.06	16.77
Occupancy Expense			
Heat, Light, Power, Water	.97	.42	.61
Building Repairs and Maintenance	.66	.41	.40
Rent or Ownership in Real Estate**	3.31	2.04	2.16
Total Occupancy Expense	4.94	2.87	3.17
Other Costs of Doing Business			
Advertising and Promotion	2.27	1.59	1.41
Insurance (Other than Real Estate or Group)	.46	.59	.58
Taxes (Other than Real Estate and Payroll)	.24	.25	.61
Interest (Other than Real Estate)	1.35	1.09	1.15
Depreciation (Other than Real Estate)	.73	.88	.56
All Other Expenses	3.53	3.87	4.31
Total Other Costs of Doing Business	8.59	8.26	8.61
Total Operating Expenses	30.72	27.19	28.56
Operating Profit or Loss	2.51	-.53	.51
Other Income	1.01	2.91	1.92
Net Operating Profit or Loss (Before Income Taxes)	3.52	2.38	2.43
Financial Performance			
Profit on Investment	19.23%	14.64%	9.87%
Active Owner's Return	47.80%	34.27%	23.26%
Current Asset Ratio	2.49x	1.85x	2.25x
Quick Asset Ratio	.86x	.85x	.91x
Total Debt to Tangible Net Worth	99.69%	122.89%	75.16%
Stock Turn Times	3.99x	5.56x	4.09x
Sales to Inventory Ratio	5.94x	7.53x	5.73x
Average Inventory per Square Foot Sales Area	$26.57	$37.60	$41.85
Net Sales to Accounts Receivable	16.92x	12.83x	12.03x
Net Sales to Total Assets	2.74x	2.77x	2.31x
Net Sales to Net Worth	5.46x	6.16x	4.05x
Net Sales to Net Working Capital	6.51x	8.96x	6.10x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	25.93%	61.53%	66.31%
Consumer Sales -- % of Total Gross Sales	74.07%	38.47%	33.69%
Selling Area -- Square Feet	17,364	15,363	16,003
Sales Per Square Foot -- Selling Area	$157.75	$281.79	$244.13
Total Area -- Square Feet	33,839	38,029	41,187
Sales Per Square Foot -- Total Area	$80.95	$121.16	$93.03
Sales Per Person Employed	$110,591	$145,874	$133,253
Sales Per Customer	$14.65	$62.05	$21.94

* As reported to NRHA/HCI by Bottom Line contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

* As reported to NRHA/HCI by Bottom Line contributors.

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Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Stores	3
Net Sales Volume	$3,173,261
Current year's sales vs. previous year (1989 vs. 1988)*	8.02%
Gross Sales	100.72%
Less: Total Deductions	.72
Net Sales	100.00%
Cost of Goods Sold	72.96
Margin Before Purchase Rebate or Patronage Dividend	27.04
Purchase Rebate or Patronage Dividend	0.00
Margin After Purchase Rebate or Patronage Dividend	27.04
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	2.31
Salaries/Wages -- Other Employees	11.41
Federal and State Payroll Taxes	1.14
Group Insurance	.91
Benefit Plans	.22
Total Payroll and Other Employee Expense	15.98
Occupancy Expense	
Heat, Light, Power, Water	.44
Building Repairs and Maintenance	.36
Rent or Ownership in Real Estate**	2.01
Total Occupancy Expense	2.82
Other Costs of Doing Business	
Advertising and Promotion	1.35
Insurance (Other than Real Estate or Group)	.79
Taxes (Other than Real Estate and Payroll)	.09
Interest (Other than Real Estate)	1.83
Depreciation (Other than Real Estate)	1.39
All Other Expenses	3.82
Total Other Costs of Doing Business	9.28
Total Operating Expense	28.08
Operating Profit or Loss	-1.03
Other Income	1.87
Net Operating Profit or Loss (Before Income Taxes)	.84

Financial Performance

Profit on Investment	6.27%
Active Owner's Return	23.58%
Current Asset Ratio	3.63x
Quick Asset Ratio	1.41x
Total Debt to Tangible Net Worth	129.85%
Stock Turn Times	5.47x
Sales to Inventory Ratio	7.50x
Average Inventory per Square Foot Sales Area	$40.97
Net Sales to Accounts Receivable	16.36x
Net Sales to Total Assets	3.26x
Net Sales to Net Worth	7.49x
Net Sales to Net Working Capital	6.86x

Other Operating Data

Credit Sales -- % of Total Gross Sales	74.04%
Consumer Sales -- % of Total Gross Sales	25.96%
Selling Area -- Square Feet	10,333
Sales Per Square Foot -- Selling Area	$307.09
Total Area -- Square Feet	13,000
Sales Per Square Foot -- Total Area	$172.36
Sales Per Person Employed	$176,292
Sales Per Customer	$33.73

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Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
33	26	41	3	23	14	4	22
$3,992,058	$4,723,604	$2,890,501	$2,434,970	$2,320,841	$4,634,275	$5,308,752	$4,133,862
2.08%	.62%	2.10%	0.00%	3.13%	4.62%	12.75%	17.66%
100.63%	102.76%	102.93%	109.31%	107.47%	102.16%	100.73%	103.74%
.63	2.76	2.93	9.31	7.47	2.16	.73	3.74
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
72.81	72.61	71.83	80.09	74.72	67.49	71.84	70.04
27.19	27.39	28.17	19.91	25.28	32.51	28.16	29.96
.44	.09	.69	.06	.98	.30	0.00	.45
27.63	27.48	28.86	19.97	26.26	32.81	28.16	30.41
3.78	3.42	3.79	3.18	3.96	2.48	1.16	3.52
10.12	10.30	9.92	7.45	9.86	13.56	12.05	11.77
1.08	.94	1.12	.61	1.39	1.24	1.16	1.44
.77	.57	.62	.99	.63	.53	.67	.87
.52	.52	.55	.01	.38	.88	.69	.61
16.27	15.73	16.01	12.24	16.22	18.69	15.73	18.21
.63	.36	.77	.64	.74	.67	.37	.49
.47	.42	.32	.40	.29	.51	.28	.58
2.56	2.00	2.65	1.59	1.76	2.28	2.52	2.03
3.66	2.78	3.74	2.63	2.79	3.46	3.16	3.10
1.71	1.33	2.03	.73	1.97	.69	1.73	1.36
.66	.68	.47	1.24	.41	.71	.05	.42
.23	.92	.35	.58	.07	.68	.11	.26
1.30	1.08	1.25	.77	2.00	.32	1.22	1.04
.75	.89	.76	.83	.50	.50	.36	.68
5.04	3.55	3.99	2.68	4.78	3.67	2.49	3.93
9.70	8.44	8.85	6.83	9.73	6.77	5.96	7.69
29.62	26.96	28.59	21.70	28.73	28.92	24.85	28.99
-1.99	.52	.27	-1.73	-2.47	3.89	3.31	1.42
3.76	2.10	1.55	3.38	1.91	2.30	.93	1.40
1.77	2.62	1.81	1.65	-.56	6.19	4.24	2.82
13.94%	9.86%	11.51%	6.66%	-3.23%	12.71%	26.61%	21.17%
43.66%	22.69%	35.60%	19.52%	19.44%	17.79%	33.87%	47.59%
1.48x	2.87x	1.82x	2.85x	1.67x	5.13x	2.02x	2.02x
.58x	1.52x	.59x	1.11x	.63x	2.18x	.67x	.90x
179.64%	61.78%	134.14%	70.30%	140.06%	15.71%	184.27%	141.39%
4.50x	4.93x	4.32x	4.64x	3.94x	4.03x	4.86x	5.28x
6.18x	6.79x	6.01x	5.79x	5.28x	5.98x	6.77x	7.54x
$42.20	$56.50	$27.89	$34.26	$31.73	$33.72	$31.49	$40.07
13.30x	8.65x	16.73x	9.82x	12.06x	14.14x	16.18x	12.99x
2.81x	2.32x	2.71x	2.37x	2.38x	1.77x	2.21x	3.11x
7.87x	3.76x	6.35x	4.04x	5.72x	2.05x	6.28x	7.50x
11.70x	4.84x	8.76x	5.11x	8.63x	4.26x	8.31x	8.21x
73.56%	72.29%	33.58%	69.05%	65.70%	73.66%	35.26%	46.31%
26.44%	27.71%	66.42%	30.95%	34.30%	26.34%	64.74%	53.69%
15,318	12,305	17,237	12,267	16,714	22,999	24,910	14,707
$260.61	$383.88	$165.02	$198.50	$204.82	$201.50	$213.12	$299.24
42,551	32,699	33,087	19,167	51,700	60,131	57,403	37,652
$98.28	$144.46	$88.79	$127.04	$66.22	$77.07	$92.48	$108.68
$147,688	$138,093	$115,975	$166,021	$125,010	$132,679	$148,497	$125,477
$47.04	$20.69	$26.19	$54.09	$38.71	$36.98	$35.34	$31.09

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	90	79
Net Sales Volume	$4,290,215	$2,964,641
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	4.59%	4.52%
Gross Sales	102.41%	103.45%
Less: Total Deductions	2.41	3.45
Net Sales	100.00%	100.00%
Cost of Goods Sold	71.28	72.76
Margin Before Purchase Rebate or Patronage Dividend	28.72	27.24
Purchase Rebate or Patronage Dividend	.39	.49
Margin After Purchase Rebate or Patronage Dividend	29.10	27.73
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	3.15	3.89
Salaries/Wages -- Other Employees	11.44	9.62
Federal and State Payroll Taxes	1.13	1.20
Group Insurance	.72	.61
Benefit Plans	.55	.58
Total Payroll and Other Employee Expense	16.99	15.90
Occupancy Expense		
Heat, Light, Power, Water	.52	.69
Building Repairs and Maintenance	.46	.37
Rent or Ownership in Real Estate**	2.22	2.34
Total Occupancy Expense	3.20	3.41
Other Costs of Doing Business		
Advertising and Promotion	1.57	1.55
Insurance (Other than Real Estate or Group)	.58	.54
Taxes (Other than Real Estate and Payroll)	.40	.46
Interest (Other than Real Estate)	.90	1.60
Depreciation (Other than Real Estate)	.70	.75
All Other Expenses	3.82	4.52
Total Other Costs of Doing Business	7.98	9.42
Total Operating Expenses	28.16	28.72
Operating Profit or Loss	.94	-.99
Other Income	2.44	1.87
Net Operating Profit or Loss (Before Income Taxes)	3.38	.88

Financial Performance

Profit on Investment	15.35%	4.80%
Active Owner's Return	29.70%	26.12%
Current Asset Ratio	2.30x	1.83x
Quick Asset Ratio	1.03x	.70x
Total Debt to Tangible Net Worth	79.91%	121.22%
Stock Turn Times	4.95x	4.04x
Sales to Inventory Ratio	6.94x	5.55x
Average Inventory per Square Foot Sales Area	$36.70	$38.87
Net Sales to Accounts Receivable	12.69x	12.07x
Net Sales to Total Assets	2.53x	2.48x
Net Sales to Net Worth	4.55x	5.48x
Net Sales to Net Working Capital	6.74x	7.62x

Other Operating Data

Credit Sales -- % of Total Gross Sales	59.18%	58.47%
Consumer Sales -- % of Total Gross Sales	40.82%	41.53%
Selling Area -- Square Feet	16,966	14,882
Sales Per Square Foot -- Selling Area	$253.43	$220.84
Total Area -- Square Feet	43,089	33,817
Sales Per Square Foot -- Total Area	$100.80	$97.84
Sales Per Person Employed	$136,773	$126,932
Sales Per Customer	$30.33	$27.92

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Figures may not add to totals indicated due to rounding.

Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	33	133
Net Sales Volume	$5,083,827	$3,294,952
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	.76%	5.85%
Gross Sales	102.06%	103.10%
Less: Total Deductions	2.06	3.10
Net Sales	100.00%	100.00%
Cost of Goods Sold	73.38	71.43
Margin Before Purchase Rebate or Patronage Dividend	26.62	28.57
Purchase Rebate or Patronage Dividend	.12	.56
Margin After Purchase Rebate or Patronage Dividend	26.74	29.12
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.90	3.58
Salaries/Wages -- Other Employees	11.30	10.52
Federal and State Payroll Taxes	.93	1.23
Group Insurance	.65	.69
Benefit Plans	.59	.53
Total Payroll and Other Employee Expense	16.37	16.55
Occupancy Expense		
Heat, Light, Power, Water	.36	.67
Building Repairs and Maintenance	.42	.43
Rent or Ownership in Real Estate**	1.87	2.41
Total Occupancy Expense	2.66	3.51
Other Costs of Doing Business		
Advertising and Promotion	1.32	1.64
Insurance (Other than Real Estate or Group)	.68	.52
Taxes (Other than Real Estate and Payroll)	.34	.45
Interest (Other than Real Estate)	1.26	1.15
Depreciation (Other than Real Estate)	.89	.65
All Other Expenses	4.31	4.02
Total Other Costs of Doing Business	8.81	8.43
Total Operating Expenses	27.84	28.49
Operating Profit or Loss	-1.10	.64
Other Income	3.41	1.77
Net Operating Profit or Loss (Before Income Taxes)	2.31	2.41

Financial Performance

Profit on Investment	10.44%	12.00%
Active Owner's Return	23.57%	29.84%
Current Asset Ratio	2.05x	2.10x
Quick Asset Ratio	1.04x	.81x
Total Debt to Tangible Net Worth	95.59%	93.37%
Stock Turn Times	5.13x	4.36x
Sales to Inventory Ratio	6.99x	6.10x
Average Inventory per Square Foot Sales Area	$57.63	$33.13
Net Sales to Accounts Receivable	8.76x	14.57x
Net Sales to Total Assets	2.31x	2.57x
Net Sales to Net Worth	4.53x	4.98x
Net Sales to Net Working Capital	6.66x	7.19x

Other Operating Data

Credit Sales -- % of Total Gross Sales	80.26%	52.73%
Consumer Sales -- % of Total Gross Sales	19.74%	47.27%
Selling Area - Square Feet	12,831	$17,063
Sales Per Square Foot -- Selling Area	$401.27	$205.51
Total Area -- Square Feet	42,907	38,480
Sales Per Square Foot -- Total Area	$118.54	$92.28
Sales Per Person Employed	$137,091	$131,340
Sales Per Customer	$81.89	$23.37

* As reported to NRHA/HCI by Bottom Line contributors

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Figures may not add to totals indicated due to rounding.

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware $\frac{15.0}{95.0} = 15.8\%$

Hand Tools $\frac{10.0}{95.0} = 10.5\%$

Paint & Home Decorating $\frac{20.0}{95.0} = 21.1\%$

Building Materials $\frac{50.0}{95.0} = 52.6\%$

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.92 which means $1.92 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	9.5	14.4	11.2	152.75	9.4	14.4	10.8
Hand Tools	100.0	3.3	5.4	5.2	170.69	3.1	4.8	4.6
Power Tools & Accessories	100.0	2.8	4.3	4.5	206.53	2.6	4.3	4.3
Plumbing, Heating & Cooling	100.0	8.3	11.5	8.6	158.26	8.2	11.5	8.4
Electrical Supplies	100.0	5.3	7.6	5.1	150.87	5.2	7.6	4.9
Paint & Home Decorating	100.0	8.2	12.4	8.3	157.93	8.0	12.4	8.1
Lumber	100.0	24.3	10.0	22.2	599.47	24.3	10.0	22.2
Building Materials	93.2	24.2	12.1	21.9	513.76	22.3	10.7	21.3
Lawn & Garden	88.6	6.3	9.8	6.6	151.35	5.8	9.1	5.8
Housewares	62.5	2.9	6.1	3.3	111.08	1.9	4.1	1.9
Automotive Supplies	62.5	1.1	2.2	1.4	102.18	.7	1.6	.8
Major Appliances & Home Entertainment	34.1	4.0	4.3	7.3	NA	1.2	1.3	1.3
Sporting Goods & Outdoor Living	48.9	1.8	2.4	1.4	112.92	.9	1.3	.6
Miscellaneous Goods	77.3	7.6	7.5	6.3	235.35	6.4	6.9	5.0
						100.0	100.0	100.0

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMRCI) $
Hardware	39.7	5.9	2.34
Hand Tools	41.8	4.4	1.84
Power Tools & Accessories	36.3	5.2	1.90
Plumbing, Heating & Cooling	44.3	6.2	2.75
Electrical Supplies	45.5	5.2	2.37
Paint & Home Decorating	46.6	6.5	3.03
Lumber	27.2	8.8	2.39
Building Materials	33.6	7.2	2.43
Lawn & Garden	39.3	4.9	1.92
Housewares	44.7	5.2	2.32
Automotive Supplies	41.9	4.6	1.93
Major Appliances & Home Entertainment	21.0	6.0	1.26
Sporting Goods & Outdoor Living	39.9	2.7	1.08
Miscellaneous Goods	36.4	7.1	2.58

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries -- Owners, Officers, Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership In Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system inhouse.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; acccunts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Moasures the efficiency of personnel in producing sales and is the most useful when compared to past per formance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

Leading Publicly-Held Companies

Income Statement Data	Hechinger	Grossman's	Lowe's	Wolohan	Home Depot
Number of Stores	108[3]	156[2]	306	47	118
Net Sales Volume[1] (millions)	$1,229.6	$1,052.1	$2,650.5	$272.1	$2,758.5
Net Sales	100.00%	100.00.%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.3	71.8	75.6	73.1	72.2
Gross Margin	25.7	28.2	24.4	26.9	27.8
Expense					
Selling/General/Administrative	21.8	24.6	17.0	18.8	21.2
Depreciation	0.00	1.3	1.7	1.8	0.00
Interest	1.0	.4	1.6	1.0	0.00
Total Expenses	22.8	26.3	20.3	21.6	21.2
Net Operating Income	2.9	1.9	4.1	5.3	6.6
Balance Sheet Data					
Total Dollar Assets (millions)	$754.8	$323.7	$1,147.4	$111.6	$1,117.5
Current Assets					
Cash	5.1	13.4	4.8	23.0	12.1
Accounts Receivable	10.1	11.0	10.6	13.0	3.5
Inventory	35.9	41.0	35.5	23.1	34.1
Other Current Assets	2.6	1.3	1.0	1.6	0.9
Total Current Assets	53.7	66.7	51.9	60.7	50.6
Fixed Assets					
Land, Building, Lease, etc.	22.6	32.3	42.3	42.5	39.7
Furniture, Fixtures, Equipment	15.9	16.3	19.3	17.8	11.2
Depreciation	-9.0	-15.3	-17.3	-22.0	-4.8
Other Fixed Assets	16.8	0.00	3.8	1.0	3.3
Total Fixed Assets	46.3	33.3	48.1	39.3	49.4
Total Assets	100.00%	100.00.%	100.00%	100.00%	100.00%
Current Liabilities					
Notes Payable	0.1	5.4	1.1	1.6	.1
Accounts Payable	20.8	30.0	18.3	8.6	15.6
Other Current Liabilities	0.1	1.3	7.4	8.2	10.5
Total Current Liabilities	21.0	36.7	26.8	18.4	26.2
Long Term Liabilities	26.3	27.1	16.9	25.7	28.0
Total Liabilities	47.3	63.8	43.7	44.1	54.2
Net Worth	52.7	36.2	56.3	55.9	45.8
Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%	100.00%
Financial Performance					
Gross Margin Return on Investment	1.17	$2.23	$1.59	$2.84	$2.01
Net Profit (Before Tax) to Net Sales	2.85	1.84%	4.10%	5.36%	6.60%
Net Profit (Before Tax) to Net Worth	8.82%	16.50%	16.85%	23.41%	35.53%
Total Assets to Net Worth	1.90x	2.76x	1.78x	1.79x	2.81x
Net Sales to Total Assets	1.63x	3.25x	2.31x	2.44x	2.47x
Net Sales to Inventory	4.54x	7.92x	6.50x	10.56x	7.23x
Other Operating Data					
Average Size Selling Area	54,389	29,480	20,324	24,851	88,338
Sales Per Square Foot -- Selling Area	$209.32	$156.50	$474.00	$232.99	$264.63
Inventory Per Square Foot	$46.13	NA	$65.55	$22.06	$36.59
Sales Per Person Employed	NA	$198,508	$173,567	$160,930	$157,630
Sales Per Customer	NA	NA	$56.10	NA	$32.65

[1] Exclusive of Interest Income on Other Income.
[2] Reflects the sale of 59 Moore's outlets and 28 stores comprising the Northwest division.
[3] Includes 15 Home Quarters outlets and 6 Triangle Building Centers.

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PROFIT REPORT

RETAIL LUMBER OUTLETS

DETAILED
COST-OF-DOING
BUSINESS
DATA

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Prepared by:

Research Services Department
National Retail Hardware Association/Home Center Institute

Printed in the United States of America.

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ISSN 0898-7165

Introduction

The **National Retail Hardware Association** and **Home Center Institute** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies which are available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

THE PROFIT REPORT
The 1990 Profit Report outlines financial operating data for retail oriented lumber and building materials dealers. To be included, a lumber/building materials outlet must actively pursue and derive a portion of sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The report is designed to:

- Assess financial performance of retail lumber/building materials operations in 1989.
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards.
- Provide a benchmark for profit planning enabling lumber/building materials retailers to improve performance levels on a continuing basis.

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail lumber/building materials industry.

Four Major Sections
The Profit Report is divided into four major sections: Historical Trends from 1985 through 1989; The Strategic Profit Model; Average Operating Results for 1989; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries

Historical Trends provides income statement and balance sheet data for 1989 and the four previous Profit Reports, 1985-1988. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail lumber/building materials outlets. The percent of net sales, sales floor and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Outlet
A variety of factors influence the cost of doing business for any lumber/building materials outlet. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:
- All Outlets
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Outlet Location
- Geographical Region
- Number of Stores
- Outlet Orientation

Methodology
The Profit Report is made possible only through the cooperation of the lumber/building materials operators who provided NRHA/HCI with detailed financial information on their individual stores. Questionnaires were mailed in February, 1990 and three hundred and thirty-four useable returns were received by May, 1990 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Research Services Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing lumber/building materials operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1990 Profit Report may be obtained from your regional hardware association or the National Retail Hardware Association/Home Center Institute, 5822 West 74th Street, Indianapolis, Indiana 46278 or phone (317) 290-0338.

Historical Trends

Income Statement Data	All Retail Lumber Outlets FISCAL YEAR 1989	1988	1987	1986	1985
Net Sales Volume	$2,743,691	$2,838,950	$2,776,269	$1,993,028	$2,069,693
Gross Sales	102.25%	103.77	102.24%	102.41%	102.03%
Less: Total Deductions	2.25	3.77	2.24	2.41	2.03
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.86	75.09	75.19	74.31	74.50
Margin Before Purchase Rebate or Patronage Dividend	25.14	24.91	24.81	25.69	25.50
Purchase Rebate or Patronage Dividend	.19	.15	.11	.14	.14
Margin After Purchase Rebate or Patronage Dividend	25.32	25.06	24.92	25.83	25.64
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	2.39	2.65	2.66	2.87	2.98
Salaries/Wages -- Other Employees	9.84	9.22	8.94	9.57	9.08
Federal and State Payroll Taxes	1.05	.94	1.02	1.08	.96
Group Insurance	.68	.54	.38	.44	.46
Benefit Plans	.49	.46	.71	.68	.51
Total Payroll and Other Employee Expense	14.45	13.81	13.71	14.65	13.99
Occupancy Expense					
Heat, Light, Power, Water	.36	.34	.37	.48	.40
Building Repairs and Maintenance	.29	.26	.27	.22	.11
Rent or Ownership in Real Estate*	1.63	1.43	1.47	1.58	1.83
Total Occupancy Expense	2.28	2.04	2.12	2.28	2.34
Other Costs of Doing Business					
Advertising and Promotion	.88	.89	.88	1.09	.95
Insurance (Other than Real Estate and Group)	.73	.83	.72	.64	.60
Taxes (Other than Real Estate and Payroll)	.33	.29	.32	.34	.30
Interest (Other than Real Estate)	1.10	1.07	.88	.96	.90
Depreciation (Other than Real Estate)	.77	.81	.74	.72	.70
All Other Expenses	3.66	3.75	3.73	3.56	4.48
Total Other Costs of Doing Business	7.47	7.64	7.26	7.31	7.93
Total Operating Expenses	24.20	23.48	23.09	24.24	24.26
Operating Profit or Loss	1.12	1.58	1.83	1.60	1.38
Other Income	1.82	1.43	2.05	1.71	1.81
Net Operating Profit or Loss (Before Income Taxes)	2.94	3.01	3.88	3.31	3.19
Financial Performance					
Profit on Investment	13.40%	14.85%	19.20%	15.60%	14.78%
Active Owner's Return	24.32%	27.89%	32.38%	29.15%	28.57%
Current Asset Ratio	2.67x	2.49x	2.57x	2.96x	2.51x
Quick Asset Ratio	1.31x	1.28x	1.31x	1.42x	1.23x
Total Debt to Tangible Net Worth	78.17%	99.72%	90.25%	82.93%	80.57%
Stock Turn Times	5.12x	5.24x	5.30x	4.73x	5.05x
Sales to Inventory Ratio	6.84x	6.98x	7.05x	6.36x	6.77x
Average Inventory per Sq. Ft. Sales Area	$75.64	$76.01	$69.86	$56.57	$93.23
Net Sales to Accounts Receivable	9.09x	8.44x	8.78x	10.70x	9.39x
Net Sales to Total Assets	2.56x	2.47x	2.60x	2.58x	2.56x
Net Sales to Net Worth	4.56x	4.93x	4.95x	4.72x	4.62x
Net Sales to Net Working Capital	5.48x	5.34x	3.57x	3.41x	5.68x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	79.21%	78.91%	75.53%	71.16%	69.95%
Consumer Sales -- % of Total Gross Sales	20.79%	21.09%	34.97%	40.61%	45.49%
Selling Area -- Square Feet	5,151	5,367	5,650	5,341	4,273
Sales Per Square Foot -- Selling Area	$514.37	$536.15	$424.96	$347.23	$448.70
Total Area -- Square Feet	23,715	24,983	22,941	20,243	16,321
Sales Per Square Foot -- Total Area	$114.27	$115.11	$102.51	$87.28	$138.17
Sales Per Person Employed	$167,937	$172,243	$165,055	$144,238	$131,436
Sales Per Customer	$84.25	$82.06	$58.14	$59.22	$87.52

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales* 1989	1988	1987	1986	1985	Sales Per Square Foot 1989	1988	1987	1986	1985
Hardware	7.4%	8.2%	6.2%	5.4%	7.8%	$148.32	$163.08	$153.92	$129.61	$136.03
Hand Tools	2.2	2.5	2.1	1.7	2.4	144.15	144.01	114.52	126.80	126.86
Power Tools & Accessories	1.9	2.1	2.2	1.4	1.5	212.40	169.82	129.51	139.12	157.69
Plumbing, Heating & Cooling	3.6	3.6	2.1	2.4	3.8	202.16	148.83	155.44	131.30	156.64
Electrical Supplies	2.3	2.3	2.3	1.6	2.4	166.42	137.01	146.02	138.15	149.06
Paint & Home Decorating	5.9	6.2	5.8	5.6	6.2	191.60	204.00	173.02	136.64	172.86
Lumber	36.3	35.6	44.9	39.7	34.5	1,045.38	997.80	1,113.03	1,237.46	986.83
Building Materials	33.5	32.0	25.4	38.3	31.4	980.01	775.08	505.66	833.91	719.64
Lawn & Garden	1.3	1.7	1.3	1.0	1.6	229.72	198.24	186.86	172.61	130.32
Housewares	.7	.4	.2	.3	.4	144.80	121.38	75.25	94.52	95.61
Automotive Supplies	.2	.2	.1	.1	.1	170.75	130.66	137.83	98.65	98.13
Major Appliances & Home Entertainment	.1	.2	.9	.1	.5	92.40	136.23	284.40	81.24	116.51
Sporting Goods & Outdoor Living	.1	.3	.1	.1	.8	145.25	148.29	149.92	NA	NA
Miscellaneous Goods	4.5	4.6	6.5	2.3	6.6	735.30	473.71	1,099.17	207.68	161.27

Department	Sales To Inventory Ratio 1989	1988	1987	1986	1985	Gross Margin Return On Investment 1989	1988	1987	1986	1985
Hardware	4.3x	5.6x	5.1x	4.3x	3.8x	$1.84	$2.22	$1.90	$1.66	$1.43
Hand Tools	4.1	5.3	5.0	4.2	4.1	1.57	1.95	1.73	1.48	1.44
Power Tools & Accessories	3.3	3.7	4.9	3.7	4.1	1.06	.99	1.48	1.19	1.28
Plumbing, Heating & Cooling	4.4	5.4	3.8	3.5	3.9	1.79	2.12	1.32	1.24	1.32
Electrical Supplies	4.0	5.2	4.7	4.0	3.7	1.63	2.02	1.64	1.49	1.32
Paint & Home Decorating	5.1	5.1	4.7	4.4	4.2	1.96	1.89	1.65	1.52	1.45
Lumber	7.5	7.9	6.5	8.8	7.3	1.99	2.01	1.61	2.05	1.73
Building Materials	7.0	8.1	6.5	8.2	7.5	1.99	2.17	1.71	2.21	1.98
Lawn & Garden	4.6	5.7	5.4	5.0	4.9	1.75	1.91	1.67	1.58	1.64
Housewares	4.2	3.5	3.1	2.0	3.7	1.92	1.24	1.04	.56	1.21
Automotive Supplies	8.1	6.8	3.8	5.1	3.0	3.55	2.48	1.34	1.37	.87
Major Appliances & Home Entertainment	2.6	1.7	5.3	3.0	4.7	NA	.54	.90	.39	.96
Sporting Goods & Outdoor Living	5.0	6.4	7.2	2.9	NA	1.53	2.08	2.37	.91	NA
Miscellaneous Goods	6.1	6.3	7.0	8.8	6.3	2.45	1.90	2.14	2.78	1.76

* Average DIY Lumber Outlet

Monthly Sales

Month	1989	1988	1987	1986	1985
January	6.4%	5.4%	5.9%	5.7%	6.2%
February	5.5	5.8	6.0	5.1	5.6
March	6.7	7.3	7.0	6.3	7.0
April	8.0	8.4	8.3	8.3	8.8
May	9.4	9.4	9.0	9.5	9.3
June	10.0	10.3	10.1	9.3	9.4
July	9.6	9.7	10.3	10.1	9.3
August	10.3	9.7	9.8	10.0	9.2
September	9.4	9.4	9.7	10.1	8.5
October	9.7	9.2	9.4	10.3	9.0
November	8.4	8.1	7.7	8.2	8.4
December	6.6	7.3	6.8	7.1	8.8

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

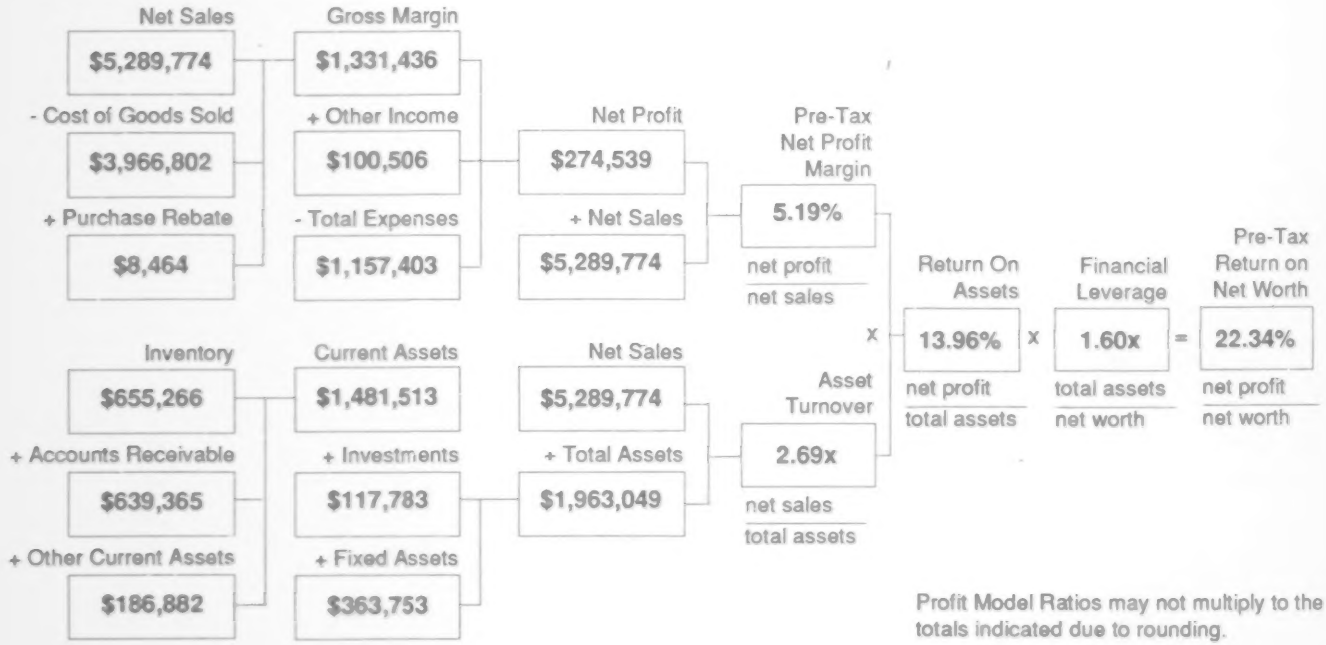
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner/supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Lumber Outlets



Profit Model Ratios may not multiply to the totals indicated due to rounding.

1989 Highlights

Type Of Retail Lumber Outlet	1989 Net Sales ($)	Sales Increase Over 1988* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Retail Lumber Outlets	2,743,691	+2.38	25.32	2.94	13.40	5.12
Low Profit	1,867,727	-4.31	23.82	-2.29	-12.82	4.25
High Profit	5,289,774	+2.42	25.16	5.18	22.29	6.14
Sales Volume Size						
Under $1,000,000	610,231	+.79	26.74	.10	.31	2.92
$1,000,000 to $1,999,999	1,451,445	+6.87	25.61	3.57	14.04	4.06
$2,000,000 to $2,999,999	2,406,350	+6.14	25.40	2.34	10.06	4.70
$3,000,000 or more	6,003,849	+.46	25.12	3.12	15.78	6.03
Sales Floor Size						
Under 3,000 Sq. Ft.	1,747,391	+3.68	23.20	2.56	12.51	5.15
3,000 to 4,999 Sq. Ft.	1,868,505	+4.03	23.74	2.67	10.53	4.78
5,000 to 6,999	2,911,559	+3.77	25.60	4.08	18.84	4.83
7,000 or more	3,919,237	-.64	26.48	2.40	11.33	5.45
Trade Area Size						
M.S.A. - Central City	3,806,197	+4.63	25.76	3.08	15.06	5.67
M.S.A. - Suburban	5,840,523	-3.08	24.71	4.44	19.27	7.42
Cities - 10,000 to 50,000	2,828,767	+2.93	26.01	3.27	13.01	5.05
Towns Under 10,000	2,219,337	+2.63	24.90	2.31	11.40	4.67
Outlet Location: Part I						
Downtown	2,378,119	+4.70	25.51	2.43	10.21	4.85
Suburban	3,201,968	+1.17	24.94	3.40	15.53	5.55
Rural	2,119,335	+2.48	25.08	2.42	11.82	4.46
Outlet Location: Part II						
Shopping Centers	2,473,431	-4.36	25.10	3.23	12.64	3.86
Free-Standing -- No Stores Adjacent	2,650,515	+3.16	25.23	2.41	11.02	4.91
Free-Standing -- Stores Nearby	2,886,247	+2.02	25.21	3.37	15.56	5.43
Number of Outlets						
Single Store	2,672,954	+2.04	25.10	2.64	12.63	5.10
Multiple Stores	2,919,059	+3.15	25.82	3.61	14.92	5.16
Outlet Orientation						
Contractor-Oriented	3,156,429	+2.55	25.29	2.69	12.80	5.39
Consumer-Oriented	2,203,110	+1.71	25.92	3.49	13.97	4.48

* As reported by Profit Report contributors.

1989 Monthly Sales

	%		%		%
January	6.4	May	9.4	September	9.4
February	5.5	June	10.0	October	9.7
March	6.7	July	9.6	November	8.4
April	8.0	August	10.3	December	6.6

All Outlets

Income Statement Data	All Retail Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	334	83	82
Net Sales Volume	$2,743,691	$1,867,727	$5,289,774
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+2.38%	-4.13%	+2.42%
Gross Sales	102.25%	102.21%	102.35%
Less: Total Deductions	2.25	2.21	2.35
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.86	76.30	74.99
Margin Before Purchase Rebate or Patronage Dividend	25.14	23.70	25.01
Purchase Rebate or Patronage Dividend	.19	.12	.16
Margin After Purchase Rebate or Patronage Dividend	25.32	23.82	25.16
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.39	3.00	1.60
Salaries/Wages -- Other Employees	9.84	10.51	9.67
Federal and State Payroll Taxes	1.05	1.17	.93
Group Insurance	.68	.60	.65
Benefit Plans	.49	.30	.55
Total Payroll and Other Employee Expense	14.45	15.65	13.39
Occupancy Expense			
Heat, Light, Power, Water	.36	.43	.30
Building Repairs and Maintenance	.29	.30	.22
Rent or Ownership in Real Estate**	1.63	2.08	1.38
Total Occupancy Expense	2.28	2.81	1.90
Other Costs of Doing Business			
Office Supplies and Postage	.39	.43	.36
Advertising and Promotion	.88	1.22	.67
Donations	.07	.05	.08
Telephone and Telegraph	.24	.27	.22
Bad Debts	.64	.89	.77
Credit Card Expense (Bank Charges)	.04	.05	.04
Delivery (Other than Wages)	.67	.91	.60
Leasing Expenses (Non-Occupancy)	.09	.11	.10
Insurance (Other than Real Estate and Group)	.73	.88	.59
Taxes (Other than Real Estate and Payroll)	.33	.28	.24
Interest (Other than Real Estate)	1.10	1.87	.78
Depreciation (Other than Real Estate)	.77	.68	.72
Store and Shop Supplies	.18	.21	.15
Legal and Accounting	.28	.34	.26
Computer Services and Expenses (Other than Wages)	.13	.15	.12
Dues and Subscriptions	.07	.09	.07
Travel and Entertainment	.16	.19	.15
Miscellaneous Services (Laundry, Disposal, Etc.)	.06	.10	.04
Unclassified Expenses	.63	.60	.63
Total Other Costs of Doing Business	7.47	9.32	6.59
Total Operating Expenses	24.20	27.78	21.88
Operating Profit or Loss	1.12	-3.96	3.28
Other Income	1.82	1.67	1.90
Net Operating Profit or Loss (Before Income Taxes)	2.94	-2.29	5.18

* As reported to NRHA/HCI by Profit Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Outlets

Balance Sheet Data	All Retail Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Total Dollar Assets	$1,071,657	$813,711	$1,963,050
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.20	3.30	6.51
Notes and Installment Contracts Receivable	.98	.86	.99
Accounts Receivable	28.17	25.83	32.57
Merchandise Inventory (End of Year)	38.13	41.74	33.38
Other Current Assets	2.15	3.90	2.02
Total Current Assets	74.63	75.64	75.47
Stocks and Bonds	1.75	1.03	1.48
Real Estate (Not Used In Business)	1.29	1.12	.49
Other Investments	4.71	4.48	4.04
Total Investments	7.74	6.63	6.00
Land (Owned and Used In Business)	2.59	2.95	2.32
Buildings (Owned & Used In Business Less Depreciation)	6.29	4.85	7.38
Leasehold Improvements (Less Amortization Allowance)	1.22	2.24	1.11
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	3.89	3.70	3.96
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.64	2.50	2.75
Other Fixed Assets	1.01	1.48	1.01
Total Fixed Assets	17.63	17.73	18.53
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.55	13.23	10.66
Current Portion of Notes Payable	10.63	18.56	7.65
Accrued Payroll Taxes	.35	.38	.30
Accrued Other Taxes	1.10	.67	1.45
Other Accrued Expenses	2.06	1.53	2.37
Other Current Liabilities	2.20	1.83	2.54
Total Current Liabilities	27.91	36.20	24.97
Notes Due Partners/Officers	2.99	6.24	2.15
Mortgage Payable	1.70	1.22	1.06
Long Term Debt	10.53	14.42	8.78
Other Long Term Liabilities	.74	.92	.38
Total Long Term Liabilities	15.97	22.80	12.38
Total Liabilities	43.87	59.00	37.34
Net Worth	56.13	41.00	62.66
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	13.40%	-12.82%	22.29%
Active Owner's Return	24.32%	3.97%	29.18%
Current Asset Ratio	2.67x	2.09x	3.02x
Quick Asset Ratio	1.31x	.94x	1.69x
Total Debt to Tangible Net Worth	78.17%	143.92%	59.60%
Stock Turn Times	5.12x	4.25x	6.14x
Sales to Inventory Ratio	6.84x	5.57x	8.18x
Average Inventory per Square Foot Sales Area	$75.64	$68.39	$102.29
Net Sales to Accounts Receivable	9.09x	8.89x	8.27x
Net Sales to Total Assets	2.56x	2.30x	2.69x
Net Sales to Net Worth	4.56x	5.60x	4.30x
Net Sales to Net Working Capital	5.48x	5.82x	5.34x

Other Operating Data

Credit Sales -- % of Total Gross Sales	79.21%	77.92%	81.43%
Consumer Sales -- % of Total Gross Sales	20.79%	22.08%	18.57%
Selling Area -- Square Feet	5,151	4,884	5,897
Sales Per Square Foot -- Selling Area	$514.37	$380.16	$832.56
Total Area -- Square Feet	23,715	19,539	31,456
Sales Per Square Foot -- Total Area	$114.27	$98.62	$162.26
Sales Per Person Employed	$167,937	$156,768	$185,554
Sales Per Customer	$84.25	$99.42	$100.99

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to total indicated due to rounding.

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Sales Volume Size

Income Statement Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	$2,000,000 To $2,999,999	Sales $3,000,000 Or More
Number of Outlets	66	112	62	94
Net Sales Volume	$610,231	$1,451,445	$2,406,350	$6,003,849
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	.79%	6.87%	6.14%	.46%
Gross Sales	102.87%	102.10%	101.59%	102.41%
Less: Total Deductions	2.87	2.10	1.59	2.41
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	73.53	74.63	74.86	75.03
Margin Before Purchase Rebate or Patronage Dividend	26.47	25.37	25.14	24.97
Purchase Rebate or Patronage Dividend	.27	.24	.26	.15
Margin After Purchase Rebate or Patronage Dividend	26.74	25.61	25.40	25.12
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	3.42	3.14	3.20	1.89
Salaries/Wages -- Other Employees	9.96	8.88	9.43	10.21
Federal and State Payroll Taxes	1.32	.95	1.13	1.04
Group Insurance	.75	.63	.59	.71
Benefit Plans	.20	.32	.59	.53
Total Payroll and Other Employee Expense	15.66	13.92	14.93	14.38
Occupancy Expense				
Heat, Light, Power, Water	.62	.44	.41	.31
Building Repairs and Maintenance	.35	.26	.42	.26
Rent or Ownership in Real Estate**	2.64	1.74	1.90	1.45
Total Occupancy Expense	3.61	2.44	2.73	2.02
Other Costs of Doing Business				
Office Supplies and Postage	.55	.41	.43	.36
Advertising and Promotion	1.24	.98	.98	.80
Donations	.05	.05	.06	.09
Telephone and Telegraph	.32	.26	.26	.22
Bad Debts	.35	.43	.37	.79
Credit Card Expense (Bank Charges)	.05	.04	.05	.04
Delivery (Other than Wages)	.68	.71	.66	.65
Leasing Expenses (Non-Occupancy)	.07	.09	.05	.10
Insurance (Other than Real Estate and Group)	.99	.89	.87	.64
Taxes (Other than Real Estate and Payroll)	.53	.48	.37	.27
Interest (Other than Real Estate)	1.75	1.18	1.07	1.04
Depreciation (Other than Real Estate)	.70	.72	.81	.78
Store and Shop Supplies	.20	.17	.18	.19
Legal and Accounting	.37	.27	.30	.27
Computer Services and Expenses (Other than Wages)	.13	.21	.11	.12
Dues and Subscriptions	.12	.07	.07	.07
Travel and Entertainment	.22	.15	.18	.16
Miscellaneous Services (Laundry, Disposal, Etc.)	.06	.05	.04	.06
Unclassified Expenses	.75	.68	.47	.66
Total Other Costs of Doing Business	9.15	7.83	7.32	7.29
Total Operating Expenses	28.42	24.19	24.99	23.70
Operating Profit or Loss	-1.67	1.42	.41	1.42
Other Income	1.77	2.15	1.94	1.70
Net Operating Profit or Loss (Before Income Taxes)	.10	3.57	2.34	3.12

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $1,000,000	$1,000,000 To $1,999,999	$2,000,000 To $2,999,999	Sales $3,000,000 Or More
Total Dollar Assets	$357,750	$636,249	$960,225	$2,165,193
		% of Total Assets		
Assets				
Cash On Hand and In Bank	5.41	7.16	6.45	4.13
Notes and Installment Contracts Receivable	1.27	2.08	.62	.66
Accounts Receivable	16.71	21.78	25.73	32.46
Merchandise Inventory (End of Year)	42.79	42.55	40.73	35.28
Other Current Assets	.56	1.89	1.63	2.58
Total Current Assets	66.74	75.46	75.16	75.10
Stocks and Bonds	3.28	2.27	1.70	1.40
Real Estate (Not Used In Business)	9.51	.80	1.26	.51
Other Investments	3.05	5.75	4.67	4.54
Total Investments	15.84	8.83	7.63	6.45
Land (Owned and Used In Business)	4.10	2.65	3.54	2.11
Buildings (Owned & Used In Business Less Depreciation)	7.74	5.19	6.28	6.52
Leasehold Improvements (Less Amortization Allowance)	.38	1.52	.57	1.40
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	2.59	3.68	4.20	4.03
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.38	1.87	2.46	2.99
Other Fixed Assets	.23	.81	.18	1.40
Total Fixed Assets	17.42	15.72	17.22	18.45
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	6.86	11.78	11.81	11.95
Current Portion of Notes Payable	7.99	7.05	9.01	12.67
Accrued Payroll Taxes	.32	.48	.34	.32
Accrued Other Taxes	.63	.84	1.01	1.27
Other Accrued Expenses	.60	1.18	1.52	2.70
Other Current Liabilities	1.98	1.90	2.48	2.26
Total Current Liabilities	18.39	23.23	26.16	31.16
Notes Due Partners/Officers	6.45	3.15	3.77	2.30
Mortgage Payable	4.54	1.14	2.00	1.48
Long Term Debt	12.80	13.64	8.84	9.67
Other Long Term Liabilities	1.32	.89	.87	.59
Total Long Term Liabilities	25.11	18.83	15.48	14.05
Total Liabilities	43.51	42.06	41.64	45.21
Net Worth	56.49	57.94	58.36	54.79
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	.31%	14.04%	10.06%	15.78%
Active Owner's Return	10.64%	26.41%	23.79%	25.35%
Current Asset Ratio	3.63x	3.25x	2.87x	2.41x
Quick Asset Ratio	1.30x	1.42x	1.32x	1.28x
Total Debt to Tangible Net Worth	77.01%	72.58%	71.34%	82.50%
Stock Turn Times	2.92x	4.06x	4.70x	6.03x
Sales to Inventory Ratio	3.98x	5.45x	6.28x	8.04x
Average Inventory per Square Foot Sales Area	$40.03	$57.89	$74.28	$105.67
Net Sales to Accounts Receivable	10.21x	10.47x	9.74x	8.54x
Net Sales to Total Assets	1.71x	2.28x	2.51x	2.77x
Net Sales to Net Worth	3.02x	3.94x	4.29x	5.06x
Net Sales to Net Working Capital	3.53x	4.37x	5.11x	6.31x

Other Operating Data

Credit Sales -- % of Total Gross Sales	73.30%	75.84%	81.03%	80.02%
Consumer Sales -- % of Total Gross Sales	26.70%	24.16%	18.97%	19.98%
Selling Area -- Square Feet	3,856	4,606	5,161	6,737
Sales Per Square Foot -- Selling Area	$159.26	$316.60	$466.22	$849.52
Total Area -- Square Feet	15,807	19,523	24,178	33,776
Sales Per Square Foot -- Total Area	$38.19	$74.50	$99.49	$173.06
Sales Per Person Employed	$106,737	$146,564	$180,879	$180,448
Sales Per Customer	$37.45	$43.34	$79.53	$124.59

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 6,999 Sq. Ft.	Sales Area 7,000 Sq. Ft. Or More
Number of Outlets	70	86	76	87
Net Sales Volume	$1,747,391	$1,868,505	$2,911,559	$3,919,237
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	3.68%	4.03%	3.77%	-.64%
Gross Sales	101.79%	102.76%	102.73%	102.08%
Less: Total Deductions	1.79	2.76	2.73	2.08
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	76.91	76.45	74.60	73.75
Margin Before Purchase Rebate or Patronage Dividend	23.09	23.55	25.40	26.25
Purchase Rebate or Patronage Dividend	.11	.19	.20	.23
Margin After Purchase Rebate or Patronage Dividend	23.20	23.74	25.60	26.48
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	2.36	2.58	2.69	2.35
Salaries/Wages -- Other Employees	8.54	8.89	9.32	10.79
Federal and State Payroll Taxes	.92	1.02	1.06	1.12
Group Insurance	.51	.63	.48	.93
Benefit Plans	.60	.48	.38	.57
Total Payroll and Other Employee Expense	12.94	13.60	13.94	15.76
Occupancy Expense				
Heat, Light, Power, Water	.30	.37	.36	.35
Building Repairs and Maintenance	.29	.30	.34	.26
Rent or Ownership in Real Estate**	1.67	1.55	1.76	1.48
Total Occupancy Expense	2.26	2.22	2.47	2.09
Other Costs of Doing Business				
Office Supplies and Postage	.35	.40	.40	.40
Advertising and Promotion	.63	.90	.90	.95
Donations	.08	.04	.08	.09
Telephone and Telegraph	.25	.23	.24	.25
Bad Debts	.58	.26	.39	.93
Credit Card Expense (Bank Charges)	.02	.04	.04	.05
Delivery Expenses (Other than Wages)	.75	.71	.51	.70
Leasing Expenses (Non-Occupancy)	.08	.04	.02	.11
Insurance (Other than Real Estate and Group)	.85	.81	.63	.73
Taxes (Other than Real Estate and Payroll)	.27	.40	.28	.40
Interest (Other than Real Estate)	1.11	1.07	1.08	1.12
Depreciation (Other than Real Estate)	.73	.77	.74	.84
Store and Shop Supplies	.19	.13	.14	.24
Legal and Accounting	.32	.23	.25	.32
Computer Services and Expenses (Other than Wages)	.11	.20	.17	.10
Dues and Subscriptions	.07	.07	.10	.06
Travel and Entertainment	.15	.19	.15	.14
Miscellaneous Services (Laundry, Disposal, Etc.)	.03	.04	.04	.08
Unclassified Expenses	.67	.66	.75	.46
Total Other Costs of Doing Business	7.23	7.18	6.89	8.00
Total Operating Expenses	22.43	23.01	23.29	25.85
Operating Profit or Loss	.77	.73	2.31	.64
Other Income	1.79	1.94	1.77	1.76
Net Operating Profit or Loss (Before Income Taxes)	2.56	2.67	4.08	2.40

* As reported to NRHA/HCI by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 6,999 Sq. Ft.	Sales Area 7,000 Sq. Ft. Or More
Total Dollar Assets	$662,356	$755,650	$1,128,501	$1,536,473
Assets		% of Total Assets		
Cash On Hand and In Bank	8.23	4.39	5.61	4.45
Notes and Installment Contracts Receivable	1.99	.87	.33	.88
Accounts Receivable	26.99	23.22	25.86	32.03
Merchandise Inventory (End of Year)	40.35	40.23	40.48	35.33
Other Current Assets	2.85	1.33	1.37	3.08
Total Current Assets	80.40	70.04	73.66	75.76
Stocks and Bonds	1.14	2.43	1.24	2.12
Real Estate (Not Used In Business)	.39	3.42	1.25	.63
Other Investments	2.34	7.08	3.99	5.42
Total Investments	3.87	12.93	6.48	8.17
Land (Owned and Used In Business)	2.74	2.88	2.43	2.69
Buildings (Owned & Used In Bus. Less Deprec.)	4.69	6.25	8.91	4.20
Leasehold Improvements (Less Amortization Allowance)	1.07	.87	1.23	1.43
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	3.86	4.59	3.13	4.11
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.80	2.14	2.42	2.59
Other Fixed Assets	.56	.31	1.75	1.04
Total Fixed Assets	15.73	17.03	19.87	16.07
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	12.07	11.33	11.78	12.20
Current Portion of Notes Payable	10.78	8.42	9.83	12.96
Accrued Payroll Taxes	.43	.30	.33	.32
Accrued Other Taxes	.92	1.04	.73	1.20
Other Accrued Expenses	2.15	.71	2.08	2.60
Other Current Liabilities	5.23	1.13	2.40	1.65
Total Current Liabilities	31.57	22.92	27.15	30.94
Notes Due Partners/Officers	3.45	3.92	3.74	2.16
Mortgage Payable	3.10	1.46	1.03	2.07
Long Term Debt	7.65	7.97	11.25	10.11
Other Long Term Liabilities	.20	1.00	.90	.74
Total Long Term Liabilities	14.40	14.34	16.93	15.07
Total Liabilities	45.97	37.26	44.08	46.01
Net Worth	54.03	62.74	55.92	53.99
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	12.51%	10.53%	18.84%	11.33%
Active Owner's Return	24.03%	20.68%	31.25%	22.42%
Current Asset Ratio	2.55x	3.06x	2.71x	2.45x
Quick Asset Ratio	1.27x	1.30x	1.22x	1.31x
Total Debt to Tangible Net Worth	85.08%	59.40%	78.82%	85.23%
Stock Turn Times	5.15x	4.78x	4.83x	5.45x
Sales to Inventory Ratio	6.69x	6.26x	6.47x	7.39x
Average Inventory per Square Foot Sales Area	$142.88	$81.09	$79.74	$59.94
Net Sales to Accounts Receivable	9.77x	10.65x	9.98x	7.96x
Net Sales to Total Assets	2.64x	2.47x	2.58x	2.55x
Net Sales to Net Worth	4.88x	3.94x	4.61x	4.72x
Net Sales to Net Working Capital	5.40x	5.25x	5.55x	5.69x

Other Operating Data

Credit Sales -- % of Total Gross Sales	87.59%	81.49%	78.67%	76.38%
Consumer Sales -- % of Total Gross Sales	12.41%	18.51%	21.33%	23.62%
Selling Area -- Square Feet	1,828	3,682	5,639	8,852
Sales Per Square Foot -- Selling Area	$955.96	$507.43	$516.34	$442.77
Total Area -- Square Feet	15,401	22,109	26,584	28,190
Sales Per Square Foot -- Total Area	$114.87	$84.70	$113.36	$140.12
Sales Per Person Employed	$202,358	$174,534	$159,430	$160,259
Sales Per Customer	$63.68	$97.19	$114.85	$71.71

Figures may not add to totals indicated due to rounding.

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	84	164	69
Net Sales Volume	$2,378,119	$3,201,968	$2,119,335
Current Year's Sales vs. Previous Year (1989 vs 1988)*	+4.70%	+1.17%	+2.48%
Gross Sales	102.92%	102.23%	101.66%
Less: Total Deductions	2.92	2.23	1.66
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.71	75.19	75.29
Margin Before Purchase Rebate or Patronage Dividend	25.29	24.81	24.71
Purchase Rebate or Patronage Dividend	.21	.13	.37
Margin After Purchase Rebate or Patronage Dividend	25.50	24.94	25.08
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.45	2.27	2.71
Salaries/Wages -- Other Employees	10.16	9.53	9.36
Federal and State Payroll Taxes	.99	1.02	1.06
Group Insurance	.54	.69	.70
Benefit Plans	.57	.49	.42
Total Payroll and Other Employee Expense	14.71	13.99	14.25
Occupancy Expense			
Heat, Light, Power, Water	.40	.34	.38
Building Repairs and Maintenance	.33	.28	.30
Rent or Ownership in Real Estate**	1.87	1.47	1.76
Total Occupancy Expense	2.60	2.08	2.43
Other Costs of Doing Business			
Advertising and Promotion	.88	.83	.97
Insurance (Other than Real Estate and Group)	.85	.66	.72
Taxes (Other than Real Estate and Payroll)	.36	.30	.39
Interest (Other than Real Estate)	1.04	1.14	1.04
Depreciation (Other than Real Estate)	.63	.75	.95
All Other Expenses	3.85	3.69	3.21
Total Other Costs of Doing Business	7.60	7.37	7.27
Total Operating Expenses	24.92	23.44	23.96
Operating Profit or Loss	.60	1.50	1.12
Other Income	1.84	1.90	1.30
Net Operating Profit or Loss (Before Income Taxes)	2.43	3.40	2.42

Financial Performance

Profit on Investment	10.21%	15.53%	11.82%
Active Owner's Return	20.51%	25.91%	25.09%
Current Asset Ratio	2.87x	2.58x	2.85x
Quick Asset Ratio	1.44x	1.31x	1.27x
Total Debt to Tangible Net Worth	73.75%	75.39%	91.99%
Stock Turn Times	4.85x	5.55x	4.46x
Sales to Inventory Ratio	6.49x	7.38x	5.92x
Average Inventory per Square Foot Sales Area	$65.69	$84.29	$71.47
Net Sales to Accounts Receivable	9.17x	8.60x	10.14x
Net Sales to Total Assets	2.42x	2.60x	2.55x
Net Sales to Net Worth	4.20x	4.56x	4.89x
Net Sales to Net Working Capital	4.89x	5.82x	5.03x

Other Operating Data

Credit Sales -- % of Total Gross Sales	73.50%	81.13%	79.60%
Consumer Sales -- % of Total Gross Sales	26.50%	18.87%	20.40%
Selling Area -- Square Feet	5,289	4,994	5,008
Sales Per Square Foot -- Selling Area	$422.45	$617.23	$423.20
Total Area -- Square Feet	23,536	25,007	$21,587
Sales Per Square Foot -- Total Area	$105.46	$123.92	$94.86
Sales Per Person Employed	$167,289	$175,334	$174,510
Sales Per Customer	$75.54	$117.12	$58.03

*As reported to NRHA/HCI by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Outlet Location II

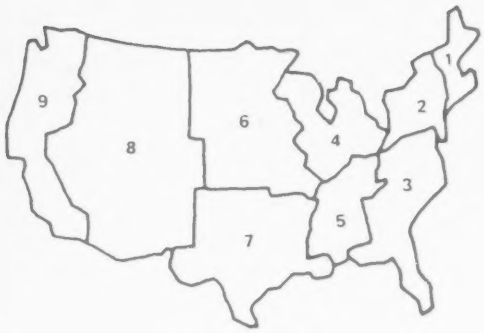
Income Statement Data	Shopping Center	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	9	136	174
Net Sales Volume	$2,473,431	$2,650,515	$2,886,247
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	-4.36%	+3.16%	+2.02%
Gross Sales	105.09%	101.87%	102.38%
Less: Total Deductions	5.09	1.87	2.38
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	75.04	75.02	74.92
Margin Before Purchase Rebate or Patronage Dividend	24.96	24.98	25.08
Purchase Rebate or Patronage Dividend	.14	.25	.13
Margin After Purchase Rebate or Patronage Dividend	25.10	25.23	25.21
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	2.69	2.49	2.20
Salaries/Wages -- Other Employees	10.14	9.71	9.86
Federal and State Payroll Taxes	.71	1.07	1.04
Group Insurance	.48	.66	.68
Benefit Plans	.70	.52	.47
Total Payroll and Other Employee Expense	14.71	14.44	14.25
Occupancy Expense			
Heat, Light, Power, Water	.39	.36	.35
Building Repairs and Maintenance	.16	.26	.31
Rent or Ownership in Real Estate**	1.46	1.70	1.50
Total Occupancy Expense	2.01	2.33	2.16
Other Costs of Doing Business			
Advertising and Promotion	1.02	.93	.81
Insurance (Other than Real Estate and Group)	.37	.76	.71
Taxes (Other than Real Estate and Payroll)	.42	.27	.36
Interest (Other than Real Estate)	.81	1.19	1.08
Depreciation (Other than Real Estate)	.54	.78	.77
All Other Expenses	3.95	3.65	3.63
Total Other Costs of Doing Business	7.11	7.58	7.37
Total Operating Expenses	23.84	24.35	23.79
Operating Profit or Loss	1.26	.88	1.42
Other Income	1.97	1.53	1.96
Net Operating Profit or Loss (Before Income Taxes)	3.23	2.41	3.37
Financial Performance			
Profit on Investment	12.64%	11.02%	15.56%
Active Owner's Return	23.15%	22.40%	25.72%
Current Asset Ratio	3.61x	2.51x	2.74x
Quick Asset Ratio	1.49x	1.19x	1.39x
Total Debt to Tangible Net Worth	60.66%	82.08%	76.97%
Stock Turn Times	3.86x	4.91x	5.43x
Sales to Inventory Ratio	5.14x	6.54x	7.24x
Average Inventory per Square Foot Sales Area	$61.06	$74.84	$80.07
Net Sales to Accounts Receivable	11.91x	9.27x	8.79x
Net Sales to Total Assets	2.43x	2.51x	2.60x
Net Sales to Net Worth	3.91x	4.57x	4.61x
Net Sales to Net Working Capital	4.14x	5.61x	5.50x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	72.92%	77.90%	81.27%
Consumer Sales -- % of Total Gross Sales	27.08%	22.10%	18.73%
Selling Area -- Square Feet	7,876	5,248	4,838
Sales Per Square Foot -- Selling Area	$314.06	$489.51	$573.06
Total Area -- Square Feet	24,982	23,886	24,192
Sales Per Square Foot -- Total Area	$99.01	$110.63	$116.93
Sales Per Person Employed	$145,225	$172,985	$167,736
Sales Per Customer	$99.20	$78.75	$93.35

* As reported to NRHA/HCI by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

* As reported to NRHA/HCI by Profit Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Outlets	25
Net Sales Volume	$4,632,305
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	-15.08%
Gross Sales	101.13%
Less: Total Deductions	1.13
Net Sales	100.00%
Cost of Goods Sold	75.82
Margin Before Purchase Rebate or Patronage Dividend	24.18
Purchase Rebate or Patronage Dividend	.19
Margin After Purchase Rebate or Patronage Dividend	24.37
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	2.12
Salaries/Wages -- Other Employees	10.18
Federal and State Payroll Taxes	.87
Group Insurance	.51
Benefit Plans	.28
Total Payroll and Other Employee Expense	13.96
Occupancy Expense	
Heat, Light, Power, Water	.38
Building Repairs and Maintenance	.31
Rent or Ownership in Real Estate**	1.71
Total Occupancy Expense	2.41
Other Costs of Doing Business	
Advertising and Promotion	.94
Insurance (Other than Real Estate and Group)	.93
Taxes (Other than Real Estate and Payroll)	.12
Interest (Other than Real Estate)	1.12
Depreciation (Other than Real Estate)	.70
All Other Expenses	4.75
Total Other Costs of Doing Business	8.57
Total Operating Expense	24.94
Operating Profit or Loss	-0.56
Other Income	1.73
Net Operating Profit or Loss (Before Income Taxes)	1.16
Financial Performance	
Profit on Investment	5.12%
Active Owner's Return	14.41%
Current Asset Ratio	2.76x
Quick Asset Ratio	1.66x
Total Debt to Tangible Net Worth	84.69%
Stock Turn Times	6.15x
Sales to Inventory Ratio	8.11x
Average Inventory per Sq. Ft. Sales Area	$82.21
Net Sales to Accounts Receivable	5.34x
Net Sales to Total Assets	2.38x
Net Sales to Net Worth	4.39x
Net Sales to Net Working Capital	4.92x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	80.77%
Consumer Sales -- % of Total Gross Sales	19.23%
Selling Area -- Square Feet	6,155
Sales Per Square Foot -- Selling Area	$670.77
Total Area -- Square Feet	18,103
Sales Per Square Foot -- Total Area	$223.35
Sales Per Person Employed	$220,189
Sales Per Customer	$102.09

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
39	48	79	15	46	25	28	29
$2,931,126	$3,005,029	$2,925,590	$2,322,065	$1,466,807	$2,790,141	$1,880,743	$2,972,056
+2.98%	-.19%	+7.31%	+1.03%	-.80%	+2.88%	+10.16%	+16.78%
101.59%	101.67%	103.82%	105.74%	101.41%	101.06%	102.42%	101.45%
1.59	1.67	3.82	5.74	1.41	1.06	2.42	1.45
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
72.78	75.04	74.66	77.27	77.60	74.99	76.62	72.32
27.22	24.96	25.34	22.73	22.40	25.01	23.38	27.68
.18	.20	.22	.07	.17	.09	.14	.24
27.40	25.16	25.56	22.79	22.57	25.11	23.52	27.92
3.72	3.22	1.73	2.60	3.02	1.76	1.57	1.86
10.30	9.60	10.16	10.08	7.09	9.53	8.99	11.11
1.26	.85	1.16	.82	.83	1.35	.93	1.14
.65	.72	.72	.60	.72	.45	.36	1.12
.62	.71	.51	.32	.33	.29	.47	.54
16.54	15.10	14.28	14.42	11.99	13.39	12.32	15.77
.40	.39	.37	.32	.36	.35	.32	.28
.31	.38	.27	.15	.27	.22	.22	.30
1.90	1.52	1.50	1.20	1.49	1.76	1.70	1.80
2.61	2.29	2.15	1.67	2.12	2.33	2.23	2.38
1.12	.72	.89	.82	.96	.90	.74	.78
1.01	.85	.51	.68	.66	.56	.86	.64
.24	.38	.45	.41	.16	.30	.24	.57
1.00	1.20	.93	1.61	.86	1.18	2.03	.88
.95	.97	.75	.81	.76	.44	.64	.65
3.66	3.51	3.33	4.18	3.46	4.05	3.54	2.98
7.97	7.62	6.86	8.51	6.86	7.43	8.05	6.49
27.12	25.02	23.29	24.60	20.98	23.15	22.61	24.63
.28	.15	2.27	-1.81	1.60	1.96	.92	3.29
1.29	2.02	1.91	1.93	3.16	1.16	1.65	1.58
1.57	2.17	4.19	.12	4.76	3.12	2.57	4.87
8.66%	10.38%	19.33%	.66%	13.97%	16.42%	13.80%	19.98%
29.19%	25.80%	27.29%	14.39%	22.85%	25.69%	22.26%	27.58%
2.10x	2.61x	2.97x	2.06x	3.11x	2.56x	3.46x	2.71x
.93x	1.30x	1.47x	.92x	1.32x	1.09x	1.65x	1.33x
106.04%	89.06%	61.25%	117.38%	44.59%	102.30%	111.05%	61.12%
4.65x	5.42x	5.34x	4.33x	3.99x	4.99x	5.20x	5.21x
6.39x	7.22x	7.15x	5.61x	5.14x	6.65x	6.79x	7.21x
$88.24	$69.82	$78.70	$78.91	$70.58	$72.75	$69.50	$69.08
10.90x	8.61x	8.96x	9.59x	11.09x	12.06x	9.78x	9.94x
2.68x	2.53x	2.86x	2.43x	2.03x	2.60x	2.55x	2.54x
5.52x	4.79x	4.61x	5.29x	2.94x	5.26x	5.38x	4.10x
6.61x	5.77x	5.45x	5.70x	4.27x	6.20x	4.90x	5.71x
76.60%	77.89%	81.52%	88.98%	76.55%	74.01%	81.97%	75.13%
23.40%	22.11%	18.48%	11.02%	23.45%	25.99%	18.03%	24.87%
5,195	5,964	4,849	5,386	4,074	5,485	4,084	6,044
$564.21	$503.85	$571.00	$444.01	$361.81	$452.52	$475.91	$500.40
28,066	20,134	30,454	28,164	23,012	20,955	16,437	18,136
$104.81	$156.55	$98.48	$84.91	$64.06	$122.81	$118.25	$163.87
$159,127	$180,927	$157,057	$154,119	$169,867	$152,634	$170,142	$162,027
$133.97	$91.11	$132.62	$112.61	$69.53	$71.44	$41.83	$51.13

Trade Area Size

Income Statement Data	M.S.A.* Central City	M.S.A.* Suburban	Cities 10,000 - 50,000	Towns Under 10,000
Number of Outlets	43	16	84	187
Net Sales Volume	$3,806,197	$5,840,523	$2,828,767	$2,219,337
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+4.63%	-3.08%	+2.93%	+2.63%
Gross Sales	101.71%	103.71%	102.18%	102.18%
Less: Total Deductions	1.71	3.71	2.18	2.18
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.29	75.32	74.18	75.36
Margin Before Purchase Rebate or Patronage Dividend	25.71	24.68	25.82	24.64
Purchase Rebate or Patronage Dividend	.05	.03	.19	.26
Margin After Purchase Rebate or Patronage Dividend	25.76	24.71	26.01	24.90
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	1.72	2.07	2.75	2.51
Salaries/Wages -- Other Employees	10.85	9.76	9.58	9.64
Federal and State Payroll Taxes	.95	1.03	1.08	1.07
Group Insurance	.95	.73	.58	.62
Benefit Plans	.66	.33	.59	.41
Total Payroll and Other Employee Expense	15.13	13.91	14.57	14.26
Occupancy Expense				
Heat, Light, Power, Water	.28	.20	.42	.40
Building Repairs and Maintenance	.17	.17	.29	.37
Rent or Ownership in Real Estate**	1.55	1.25	1.77	1.63
Total Occupancy Expense	2.01	1.62	2.48	2.40
Other Costs of Doing Business				
Advertising and Promotion	.56	.65	1.06	.96
Insurance (Other than Real Estate and Group)	.73	.48	.73	.79
Taxes (Other than Real Estate and Payroll)	.29	.13	.34	.39
Interest (Other than Real Estate)	1.16	.73	1.10	1.17
Depreciation (Other than Real Estate)	.63	.78	.76	.82
All Other Expenses	3.77	4.57	3.53	3.50
Total Other Costs of Doing Business	7.15	7.33	7.52	7.63
Total Operating Expenses	24.28	22.87	24.57	24.29
Operating Profit or Loss	1.47	1.84	1.44	.61
Other Income	1.61	2.60	1.84	1.70
Net Operating Profit or Loss (Before Income Taxes)	3.08	4.44	3.27	2.31
Financial Performance				
Profit on Investment	15.06%	19.27%	13.01%	11.40%
Active Owner's Return	23.44%	28.23%	23.92%	23.81%
Current Asset Ratio	2.88x	3.13x	2.49x	2.60x
Quick Asset Ratio	1.53x	2.05x	1.16x	1.16x
Total Debt to Tangible Net Worth	73.64%	46.56%	69.56%	95.27%
Stock Turn Times	5.67x	7.42x	5.05x	4.67x
Sales to Inventory Ratio	7.63x	9.84x	6.81x	6.19x
Average Inventory per Square Foot Sales Area	$105.76	$87.65	$75.41	$70.01
Net Sales to Accounts Receivable	8.13x	6.14x	9.67x	10.31x
Net Sales to Total Assets	2.81x	2.96x	2.34x	2.53x
Net Sales to Net Worth	4.88x	4.34x	3.98x	4.94x
Net Sales to Net Working Capital	5.10x	4.93x	5.92x	5.46x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	87.92%	88.31%	72.36%	76.81%
Consumer Sales -- % of Total Gross Sales	12.08%	11.69%	27.64%	23.19%
Selling Area -- Square Feet	4,301	6,467	5,563	4,993
Sales Per Square Foot -- Selling Area	$796.46	$894.94	$516.93	$428.69
Total Area -- Square Feet	26,856	42,971	26,575	19,971
Sales Per Square Foot -- Total Area	$143.41	$135.92	$107.03	$107.78
Sales Per Person Employed	$190,086	$172,776	$158,851	$164,498
Sales Per Customer	$131.83	$140.78	$68.80	$83.72

* As reported to NRHA/HCI by Profit Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

* Metropolitan Statistical Area

Figures may not add to totals indicated due to rounding.

Number of Outlets

Income Statement Data	Single Store Outlet	Multiple Store Outlet
Number of Outlets	238	96
Net Sales Volume	$2,672,954	$2,919,059
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+2.04%	+3.15%
Gross Sales	102.19%	102.38%
Less: Total Deductions	2.19	2.38
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.11	74.31
Margin Before Purchase Rebate or Patronage Dividend	24.89	25.69
Purchase Rebate or Patronage Dividend	.21	.14
Margin After Purchase Rebate or Patronage Dividend	25.10	25.82
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.60	1.92
Salaries/Wages -- Other Employees	9.52	10.57
Federal and State Payroll Taxes	.99	1.19
Group Insurance	.66	.71
Benefit Plans	.53	.40
Total Payroll and Other Employee Expense	14.30	14.78
Occupancy Expense		
Heat, Light, Power, Water	.38	.33
Building Repairs and Maintenance	.29	.29
Rent or Ownership in Real Estate**	1.68	1.51
Total Occupancy Expense	2.35	2.13
Other Costs of Doing Business		
Advertising and Promotion	.92	.79
Insurance (Other than Real Estate and Group)	.76	.67
Taxes (Other than Real Estate and Payroll)	.38	.23
Interest (Other than Real Estate)	1.12	1.06
Depreciation (Other than Real Estate)	.74	.82
All Other Expenses	3.50	4.01
Total Other Costs of Doing Business	7.43	7.58
Total Operating Expenses	24.08	24.48
Operating Profit or Loss	1.02	1.34
Other Income	1.62	2.27
Net Operating Profit or Loss (Before Income Taxes)	2.64	3.61
Financial Performance		
Profit on Investment	12.63%	14.92%
Active Owner's Return	25.07%	22.85%
Current Asset Ratio	2.65x	2.74x
Quick Asset Ratio	1.28x	1.37x
Total Debt to Tangible Net Worth	85.93%	62.91%
Stock Turn Times	5.10x	5.16x
Sales to Inventory Ratio	6.79x	6.94x
Average Inventory per Square Foot Sales Area	$71.76	$86.38
Net Sales to Accounts Receivable	9.68x	7.98x
Net Sales to Total Assets	2.57x	2.54x
Net Sales to Net Worth	4.78x	4.14x
Net Sales to Net Working Capital	5.54x	5.36x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	77.28%	81.90%
Consumer Sales -- % of Total Gross Sales	22.72%	18.10%
Selling Area -- Square Feet	5,366	4,638
Sales Per Square Foot -- Selling Area	$484.34	$597.53
Total Area -- Square Feet	22,679	26,229
Sales Per Square Foot -- Total Area	$115.67	$111.31
Sales Per Person Employed	$170,919	$162,330
Sales Per Customer	$69.91	$171.16

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Figures may not add to totals indicated due to rounding.

Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	193	119
Net Sales Volume	$3,156,429	$2,203,110
Current Year's Sales vs. Previous Year (1989 vs. 1988)*	+2.55%	+1.71%
Gross Sales	102.26%	102.13%
Less: Total Deductions	2.26	2.13
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.86	74.35
Margin Before Purchase Rebate or Patronage Dividend	25.14	25.65
Purchase Rebate or Patronage Dividend	.15	.27
Margin After Purchase Rebate or Patronage Dividend	25.29	25.92
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.33	2.78
Salaries/Wages -- Other Employees	10.05	9.49
Federal and State Payroll Taxes	.99	1.23
Group Insurance	.70	.68
Benefit Plans	.50	.51
Total Payroll and Other Employee Expense	14.57	14.68
Occupancy Expense		
Heat, Light, Power, Water	.35	.39
Building Repairs and Maintenance	.31	.25
Rent or Ownership in Real Estate**	1.63	1.69
Total Occupancy Expense	2.29	2.33
Other Costs of Doing Business		
Advertising and Promotion	.80	1.08
Insurance (Other than Real Estate and Group)	.75	.69
Taxes (Other than Real Estate and Payroll)	.30	.45
Interest (Other than Real Estate)	1.11	1.01
Depreciation (Other than Real Estate)	.78	.76
All Other Expenses	3.85	3.24
Total Other Costs of Doing Business	7.59	7.22
Total Operating Expenses	24.45	24.23
Operating Profit or Loss	.84	1.69
Other Income	1.85	1.80
Net Operating Profit or Loss (Before Income Taxes)	2.69	3.49
Financial Performance		
Profit on Investment	12.80%	13.97%
Active Owner's Return	23.91%	25.10%
Current Asset Ratio	2.62x	2.59x
Quick Asset Ratio	1.37x	1.07x
Total Debt to Tangible Net Worth	82.52%	67.83%
Stock Turn Times	5.39x	4.48x
Sales to Inventory Ratio	7.20x	6.03x
Average Inventory per Square Foot Sales Area	$83.75	$67.23
Net Sales to Accounts Receivable	8.24x	11.61x
Net Sales to Total Assets	2.61x	2.39x
Net Sales to Net Worth	4.76x	4.00x
Net Sales to Net Working Capital	5.45x	5.68x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	83.40%	68.85%
Consumer Sales -- % of Total Gross Sales	16.60%	31.15%
Selling Area -- Square Feet	5,020	5,469
Sales Per Square Foot -- Selling Area	$601.50	$405.59
Total Area -- Square Feet	24,765	23,041
Sales Per Square Foot -- Total Area	$127.06	$94.34
Sales Per Person Employed	$177,860	$144,904
Sales Per Customer	$97.08	$62.50

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Figures may not add to totals indicated due to rounding.

Leading Publicly-Held Companies

Income Statement Data	Hechinger	Grossman's	Lowe's	Wolohan	Home Depot
Number of Outlets	108[3]	156[2]	306	47	118
Net Sales Volume[1] (millions)	$1,229.6	$1,052.1	$2,650.5	$272.1	$2,758.5
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.3	71.8	75.6	73.1	72.2
Gross Margin	25.7	28.2	24.4	26.9	27.8
Expense					
Selling/General/Administrative	21.8	24.6	17.0	18.8	21.2
Depreciation	0.00	1.3	1.7	1.8	0.00
Interest	1.0	.4	1.6	1.0	0.00
Total Expenses	22.8	26.3	20.3	21.6	21.2
Net Operating Income	2.9	1.9	4.1	5.3	6.6
Balance Sheet Data					
Total Dollar Assets (millions)	$754.8	$323.7	$1,147.4	$111.6	$1,117.5
Current Assets					
Cash	5.1	13.4	4.8	23.0	12.1
Accounts Receivable	10.1	11.0	10.6	13.0	3.5
Inventory	35.9	41.0	35.5	23.1	34.1
Other Current Assets	2.6	1.3	1.0	1.6	0.9
Total Current Assets	53.7	66.7	51.9	60.7	50.6
Fixed Assets					
Land, Building, Lease, etc.	22.6	32.3	42.3	42.5	39.7
Furniture, Fixtures, Equipment	15.9	16.3	19.3	17.8	11.2
Depreciation	-9.0	-15.3	-17.3	-22.0	-4.8
Other Fixed Assets	16.8	0.00	3.8	1.0	3.3
Total Fixed Assets	46.3	33.3	48.1	39.3	49.4
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities					
Notes Payable	0.1	5.4	1.1	1.6	.1
Accounts Payable	20.8	30.0	18.3	8.6	15.6
Other Current Liabilities	0.1	1.3	7.4	8.2	10.5
Total Current Liabilities	21.0	36.7	26.8	18.4	26.2
Long Term Liabilities	26.3	27.1	16.9	25.7	2[illegible].0
Total Liabilities	47.3	63.8	43.7	44.1	54.2
Net Worth	52.7	36.2	56.3	55.9	45.8
Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%	100.00%
Financial Performance					
Gross Margin Return on Investment	1.17	$2.23	$1.59	$2.84	$2.01
Net Profit (Before Tax) to Net Sales	2.85	1.84%	4.10%	5.36%	6.60%
Net Profit (Before Tax) to Net Worth	8.82%	16.50%	16.8[illegible]%	23.41%	35.53%
Total Assets to Net Worth	1.90x	2.76x	1.78x	1.79x	2.81x
Net Sales to Total Assets	1.63x	3.25x	2.31x	2.44x	2.47x
Net Sales to Inventory	4.54x	7.92x	6.50x	10.56x	7.23x
Other Operating Data					
Average Size Selling Area	54,389	29,480	20,324	24,851	88,338
Sales Per Square Foot -- Selling Area	$209.32	$156.50	$474.00	$232.99	$264.63
Inventory Per Square Foot	$46.13	NA	$65.55	$22.06	$36.59
Sales Per Person Employed	NA	$198,508	$173,567	$160,930	$157,630
Sales Per Customer	NA	NA	$56.10	NA	$32.65

[1] Exclusive of Interest Income on Other Income.
[2] Reflects the sale of 59 Moore's outlets and 28 stores comprising the Northwest division.
[3] Includes 15 Home Quarters outlets and 6 Triangle Building Centers.

Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in retail lumber outlets.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the stores who carry Lawn and Garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other lumber outlets which also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	=59.1%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.75 which means $1.75 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

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Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	98.1	7.5	24.0	8.9	148.32	7.4	24.0	8.5
Hand Tools	95.6	2.4	5.9	3.3	144.15	2.2	5.4	2.9
Power Tools & Accessories	91.7	2.1	4.2	2.9	212.40	1.9	3.9	2.5
Plumbing, Heating & Cooling	79.1	4.4	7.6	5.4	202.16	3.6	5.9	4.4
Electrical Supplies	85.4	2.7	5.6	3.4	166.42	2.3	4.9	2.9
Paint & Home Decorating	95.1	6.2	15.0	7.4	191.60	5.9	13.6	6.8
Lumber	100.0	36.8	15.2	34.1	1,045.38	36.3	14.6	33.3
Building Materials	100.0	33.5	18.7	31.6	980.01	33.5	18.7	31.6
Lawn & Garden	60.2	2.2	3.8	3.0	229.72	1.3	2.4	1.9
Housewares	27.8	2.1	2.5	1.9	144.80	.7	.8	.7
Automotive Supplies	21.5	.7	1.5	.6	170.75	.2	.4	.2
Major Appliances & Home Entertainment	8.3	1.7	8.0	3.7	92.40	.1	.6	.3
Sporting Goods & Outdoor Living	15.1	.8	1.9	1.0	145.25	.1	.3	.2
Miscellaneous Goods	58.5	7.0	7.7	5.7	735.30	4.5	4.5	3.8
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	42.8	4.3	1.84
Hand Tools	38.3	4.1	1.57
Power Tools & Accessories	32.2	3.3	1.06
Plumbing, Heating & Cooling	40.8	4.4	1.79
Electrical Supplies	40.8	4.0	1.63
Paint & Home Decorating	38.4	5.1	1.96
Lumber	26.6	7.5	1.99
Building Materials	28.4	7.0	1.99
Lawn & Garden	38.1	4.6	1.75
Housewares	45.8	4.2	1.92
Automotive Supplies	43.9	8.1	3.55
Major Appliances & Home Entertainment	NA	2.6	NA
Sporting Goods & Outdoor Living	30.6	5.0	1.53
Miscellaneous Goods	40.2	6.1	2.45

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume -- The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions -- Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold -- Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend -- The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend -- Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries -- Owners, Officers, Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees -- The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes -- Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance -- All premiums paid to insured employees for health and accident protection.

Benefit Plans -- The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water -- All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance -- All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) -- All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage -- The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate -- Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion -- Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations -- All gifts given from the business operation to charity.

Telephone and Telegraph -- For expenses incurred in the operation of the business.

Bad Debts -- Uncollectable debts.

Delivery Expenses (Other than Wages) -- All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance -- Premiums paid to insure all assets against fire, theft, etc.

Taxes -- All taxes on stock, fixtures, delivery equipment, etc.

Depreciation -- All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense -- Bank charges for processing credit card sales.

Interest -- The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies -- The costs of all supplies used in the operation of the store.

Legal and Accounting -- The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services -- Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system inhouse.

Dues and Subscriptions -- Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment -- All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services -- All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified -- All expenses not classified under other headings.

Net Operating Profit -- Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income -- Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) -- The net return from the operation of the business.

Balance Sheet -- The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets -- Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments -- Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets -- Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities -- All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities -- All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past per formance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

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Phone ( ) _____

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Account No. _____ Signature _____

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(317) 290-0338

NRHA National Retail Hardware Association

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Notes

National Retail Hardware Association
Home Center Institute
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Indianapolis, Indiana 46278
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Affiliated Associations

California Pacific Southwest Hardware Association: Michael R. Owen, 1515 30th Street, Suite 200, Sacremento, CA 95816 *(916) 455-3033*

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